

North Lanarkshire Council Report

Communities and Housing Committee

approval noting

Ref GT/AN

Date 20/11/19

Housing Revenue Account – Revenue Monitoring Report

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Executive Summary

This report provides a summary of the Housing Revenue Account financial performance for the period 1 April 2019 to 11 October 2019 (Period 7). The report illustrates the projected outturn as at 31 March 2020, 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 £140m on the 20 December 2018. A subsequent budget adjustment has increased the gross budgets to £145m to reflect the inclusion of staff supporting the HRA capital investment programme within this monitoring report.

The Service currently anticipates a surplus of £0.121m mainly as a result of savings in capital financing costs and void rent loss, which are partially offset by an overspend in housing repair call charges and an under recovery in garage rental income.

It is presently anticipated that £1.867m of savings (100%) will be delivered by the financial year-end.

Recommendations

It is recommended that the Committee:

- (1) Notes the financial position of the HRA revenue budget 2019/20

The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

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.

2. Report

2.1 Analysis of Significant Variances

- 2.1.1 An underspend of £0.050m 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.
- 2.1.2 An underspend of £0.500m is projected within capital financing costs as a result of reduced average loans funds interest rates resulting in lower borrowing costs.
- 2.1.3 An overspend of £0.346m is projected within apportioned expenses due to increased Housing Repairs call costs.
- 2.1.4 An under-recovery of £0.083m is projected within rents due to reduced garage and lock-up rental income.

2.2 Earmarked and One-off Resources

- 2.2.1 An update on the current earmarked reserves is detailed in Appendix 2. This reflects the total HRA reserve balance of £12.927m as shown in the Council's annual accounts for 2018/19.

2.3 2019/20 Budget Savings

- 2.3.1 The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings of £1.867m. As at Period 7, 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.

4.3 Environmental Impact

There are no environmental impacts.

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.

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.

4.4.2 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 2019/20.

5. Measures of success

5.1 Service is currently operating within approved budgeted constraints and meeting required savings targets.

6. Supporting documents

6.1 Appendix 1 – HRA Summary

Appendix 2 – Earmarked Reserves / Balance Sheet Provision



Robert Steenson
Executive Director (Enterprise and Communities)

FINANCIAL MONITORING REPORT

DIVISION : HRA SUMMARY

01 APRIL 2019 to 11 OCTOBER 2019 (Period 7)

Cost Centre: HRA [H]

CMT: COMMUNITIES AND HOUSING

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	£ 12,421,988	£ 12,518,853	£ (96,865) ADV	25,793,380	25,793,380	0 -	0.0%	0	Balanced Budget
PROPERTY COSTS	25,003,994	24,958,231	45,763 FAV	56,031,500	55,981,500	50,000 FAV	0.1%	0	Underspend associated with improvements in the rate of turnover of void properties
SUPPLIES & SERVICES	750,741	744,136	6,605 FAV	1,720,950	1,720,950	0 -	0.0%	0	Balanced budget
TRANSPORT & PLANT	163,443	177,206	(13,763) ADV	426,080	426,080	0 -	0.0%	0	Balanced budget
ADMINISTRATION COSTS	1,388,328	1,399,063	(10,735) ADV	5,409,660	5,409,660	0 -	0.0%	0	Balanced budget
PAYMENTS TO OTHER BODIES	61,930	53,131	8,799 FAV	196,290	196,290	0 -	0.0%	0	Balanced budget
APPORTIONED EXPENSES	632,825	632,825	0 -	4,896,450	5,242,450	(346,000) ADV	(7.1)%	0	Housing repair call charges
CAPITAL FINANCING COSTS	0	0	0 -	18,598,640	18,098,640	500,000 FAV	2.7%	0	Reduced average loans funds interest rates resulting in lower borrowing costs
C.F.C.R.	0	0	0 -	27,146,260	27,146,260	0 -	0.0%	0	Balanced budget
OTHER COSTS	0	0	0 -	4,971,558	4,971,558	0 -	0.0%	0	Balanced budget
TOTAL EXPENDITURE	40,423,249	40,483,445	(60,196) ADV	145,190,768	144,986,768	204,000 FAV	0.1%	0	
OTHER GRANTS	0	0	0 -	5,000	5,000	0 -	0.0%	0	Balanced budget
FEES AND CHARGES	219,744	238,220	18,476 FAV	5,942,410	5,942,410	0 -	0.0%	0	Balanced budget
RENTS	61,909,458	61,911,786	2,328 FAV	139,147,288	139,064,288	(83,000) ADV	(0.1)%	0	Reduced garage rental income
INTEREST	0	0	0 -	80,000	80,000	0 -	0.0%	0	Balanced budget
DEPARTMENTAL CHARGES	0	0	0 -	16,070	16,070	0 -	0.0%	0	Balanced budget
SURPLUS	0	0	0 -	0	0	0 -	0.0%	0	Balanced budget
INCOME	62,129,202	62,150,006	20,804 FAV	145,190,768	145,107,768	(83,000) ADV	(0.1)%	0	
NET EXPENDITURE	(21,705,953)	(21,666,561)	(39,392) ADV	0	(121,000)	121,000 FAV		0	

FAV = Favourable variation, underspend etc

ADV = Adverse variation, overspend, income under-recovery etc

North Lanarkshire Council
Housing Revenue Account - Earmarked Reserves
01 April 2019 to 11 October 2019 (Period 7)

DESCRIPTION OF EARMARKED RESERVES (1)	VALUE OF EARMARKED RESERVE (2)	PROJECTED OUTTURN		CARRY FORWARD (5)	ANALYSIS (6)
		VALUE (3)	% (4)		
	£	£		£	
Welfare Reform - Sustainability Reserve	238,216	0	100.0%	238,216	No call anticipated in 2019/20
Welfare Reform staffing	888,844	399,980	55.0%	488,864	Balance required during 2020/21
Enterprise Contract	295,000	147,500	50.0%	147,500	Balance required during 2020/21
DigitalNL	500,000	0	100.0%	500,000	No call anticipated in 2019/20 but will be required in future years
Temporary Accommodation Reserve	6,120,421	46,950	99.2%	6,073,471	Spend anticipated in 2019/20 but will also be required in future years
IT	199,827	199,827	0.0%	0	Full spend anticipated in 2019/20
SUB TOTAL	8,242,308	794,257	90.4%	7,448,051	
Change Management / Risks & Uncertainty	3,234,526	0	100.0%	3,234,526	No call anticipated in 2019/20
Core Reserve	1,450,000	0	100.0%	1,450,000	No call anticipated in 2019/20
TOTAL	12,926,834	794,257	93.9%	12,132,577	