

North Lanarkshire Council Report

Communities and Housing Committee

approval noting

Ref GT/AN

Date 19/02/20

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 3 January 2020 (Period 10). 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 £1.200m mainly as a result of anticipated ambition funding carry forward into future years, savings within loan charges, along with improvements in the rate of turnover of void properties, which are partially offset by overspends in administration costs and an under recovery in housing 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 £0.300m 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 overspend of £0.467m is projected within administration costs and apportioned expenses due to a combination of overspends in relation to Sheriff Officer Fees, the Annual Recharge of ASB Out of Hours Service, the Provision for Doubtful Debt and Housing Repair call charges.
- 2.1.3 An anticipated carry forward into future years of £1.000m is projected from Ambition funding.
- 2.1.4 More efficient treasury management activity and lower than expected borrowing levels have resulted in a projected underspend of £0.500m within Capital Financing Costs.
- 2.1.5 An under recovery of £0.233m is projected in relation to Housing Rental income.
- 2.1.6 With the maintenance of reserves as highlighted in Appendix 2, the Service has accrued higher than anticipated interest on revenue balances of £0.100m, this is largely as a result of the strategy to build reserves to mitigate against future benefits changes.

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 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.

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
01 APRIL 2019 to 03 JANUARY 2020 (Period 10)
CMT: COMMUNITIES AND HOUSING

DIVISION : HRA SUMMARY
Cost Centre: HRA [H]

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	£ 18,336,654	£ 18,524,312	£ (187,658) ADV	26,011,045	26,011,045	0 -	0.0%	0	Balanced Budget
PROPERTY COSTS	38,552,281	38,336,121	216,160 FAV	56,031,500	55,731,500	300,000 FAV	0.5%	0	Underspend associated with improvements in the rate of turnover of void properties
SUPPLIES & SERVICES	1,088,008	1,089,216	(1,208) ADV	1,720,950	1,720,950	0 -	0.0%	0	Balanced budget
TRANSPORT & PLANT	297,732	305,393	(7,661) ADV	426,080	426,080	0 -	0.0%	0	Balanced budget
ADMINISTRATION COSTS	1,920,090	2,010,561	(90,471) ADV	5,409,660	5,530,660	(121,000) ADV	(2.2)%	0	Overspends in Sheriff Officer Fees, ASB Out of Hours Service and the Provision for Doubtful Debt
PAYMENTS TO OTHER BODIES	92,894	93,487	(593) ADV	196,290	196,290	0 -	0.0%	0	Balanced budget
APPORTIONED EXPENSES	1,340,900	1,686,900	(346,000) ADV	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	4,971,558	3,971,558	1,000,000 FAV	4,971,558	3,971,558	1,000,000 FAV	20.1%	0	Ambition funding carry forward
TOTAL EXPENDITURE	66,600,117	66,017,548	582,569 FAV	145,408,433	144,075,433	1,333,000 FAV	0.9%	0	
OTHER GRANTS	0	0	0 -	5,000	5,000	0 -	0.0%	0	Balanced budget
FEES AND CHARGES	357,126	360,271	3,145 FAV	6,160,075	6,160,075	0 -	0.0%	0	Balanced budget
RENTS	95,657,227	95,429,022	(228,205) ADV	139,147,288	138,914,288	(233,000) ADV	(0.2)%	0	Under Recovery in Housing Rents
INTEREST	80,000	180,000	100,000 FAV	80,000	180,000	100,000 FAV	125.0%	0	Over Recovery in Interest of Revenue Balances
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	96,094,353	95,969,293	(125,060) ADV	145,408,433	145,275,433	(133,000) ADV	(0.1)%	0	
NET EXPENDITURE	(29,494,236)	(29,951,745)	457,509 FAV	0	(1,200,000)	1,200,000 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 3 January 2020 (Period 10)

DESCRIPTION OF EARMARKED RESERVES	VALUE OF EARMARKED RESERVE	PROJECTED OUTTURN		CARRY FORWARD	ANALYSIS
		VALUE	%		
(1)	(2)	(3)	(4)	(5)	(6)
	£	£		£	
Welfare Reform - Sustainability Reserve	1,000,000	0	100.0%	1,000,000	No call anticipated in 2019/20
Welfare Reform staffing	888,844	275,000	69.1%	613,844	Balance required during 2020/21
Enterprise Contract	295,000	235,000	20.3%	60,000	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	264,950	95.7%	5,855,471	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
Rent Restructure	1,079,000	0	100.0%	1,079,000	No call anticipated in 2019/20 but will be required in future years
SUB TOTAL	10,083,092	974,777	90.3%	9,108,315	
Change Management / Risks & Uncertainty	1,393,742	0	100.0%	1,393,742	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	974,777	92.5%	11,952,057	