

# North Lanarkshire Council Report

## Housing & Regeneration Committee

approval  noting

Ref GT/AN

Date 09/09/20

## HRA Revenue Monitoring Report – 1 April 2020 to 24 July 2020

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### Executive Summary

This report provides a summary of the Housing Revenue Account financial performance for the period 1 April 2020 to 24 July 2020 (Period 4). The report illustrates the projected outturn as at 31 March 2021, 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 £152m on the 19 December 2019. Subsequent incorporation of the transfer of Sheltered Housing and Anti-Social Behaviour budgets and the incorporation of realigned Homelessness budgets has increased this budget to £156m.

The overall projected surplus for the service of £9.772m, includes a net surplus as a result of the COVID-19 pandemic of £6.353m as detailed in Appendix 3. The underlying position of the Service excluding the impact of the pandemic is therefore a favourable outturn of £3.369m.

It is presently anticipated that £0.314m of savings (100%) will be delivered by the financial year-end.

### Recommendations

It is recommended that the Corporate Management Team:

- i) Note the financial position of the HRA revenue budget 2020/21; and

### 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 Council's approved 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 deviations and where relevant, must also highlight the impact this has on other budget headings.
- 1.2 Given the extreme circumstances presented by the COVID-19 health crisis and its impact on Council operations, financial planning to support the deficit position is being considered on a corporate basis with Executive Directors expected to do all they can to mitigate cost pressures within their own Service area.

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## **2. Report**

### **2.1 Analysis of Significant Variances**

- 2.1.1 A underspend of £7.154m is projected within Property Costs as a consequence of the COVID-19 pandemic. The temporary cessation of non-essential repairs during lockdown is anticipated to reduce housing repairs costs by £7.703m. This figure is net of supplier relief arrangements for key strategic suppliers. This underspend is partially offset by overspends within cleaning materials (£0.143m) and minor property costs (£0.081m).

The additional requirement for temporary accommodation during the pandemic has resulted in increased temporary accommodation property rent from the HRA (£0.325m) which will be fully offset by additional temporary accommodation income.

- 2.1.2 A projected overspend of £0.528m in Supplies & Services relates to increased temporary accommodation furniture costs which will be fully offset by additional temporary accommodation income.
- 2.1.3 A projected underspend of £0.030m in Transport & Plant costs relates to decreased car mileage costs due to lower usage during lockdown.
- 2.1.4 A projected overspend of £0.936m within Administration Costs is a result of anticipated increased future credit loss provisions (£0.880m) as a consequence of increased rent arrears and further utilisation of Universal Credit Assistant Fund and Rent Relief funds. This is partially offset by projected underspends associated with legal fees (£0.075m), sheriff officer fees (£0.100m) and a reduction in the First Stop Shop recharge (£0.200m). All of which are a result of the coronavirus pandemic.

Increased future credit loss provisions (£0.431m) for non-recovery of temporary accommodation rent arrears are fully offset by additional temporary accommodation income.

- 2.1.5 Increased borrowing in 2019/20 has resulted in a projected overspend of £0.125m within Capital Financing Costs.
- 2.1.6 An anticipated carry forward into future years of £3.500m is projected from Ambition funding.

- 2.1.7 A projected over recovery of £0.586m in Rents is due to a combination of the under recovery of mainstream rental income (£0.974m) offset by additional HRA property rent (£0.325m) for the supply of temporary accommodation.

Also as a result of the increased demand for temporary accommodation during the pandemic there has been an over recovery of temporary accommodation income in the region of £1.235m which will offset any additional expenditure noted in 2.1.1, 2.1.2, and 2.1.4.

- 2.1.8 A projected over recovery of £0.041m in Fees and Charges is due to recovery of furlough payments for temporary accommodation staff (£0.049m). This recovery partly offsets the increased temporary accommodation costs noted in 2.1.1, 2.1.2 and 2.1.4.

There are also under recoveries of court dues/fines (£0.175m) and laundry income (£0.040m) partially offset by recovery of furlough payments for HRA staff (£0.207m), which are related to the Coronavirus pandemic.

## **2.2 Earmarked and One-off Resources**

- 2.2.1 An update on the current earmarked reserves is detailed in Appendix 2.
- 2.2.2 When account is taken of the £1.450m core reserve, and other previously earmarked reserves totalling £11.867m as detailed in Appendix 2, the remaining resources available for consideration amount to £0.829m.

## **2.3 2012/21 Budget Savings**

- 2.3.1 The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings of £0.314m. As at Period 3, it anticipates 100% of its approved savings will be delivered by the financial year-end.

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## **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.

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## **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.

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 2020/21.

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 2020/21.

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## 5. Measures of success

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

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## 6. Supporting documents

6.1

<b>Appendix 1</b>	HRA Summary
<b>Appendix 2</b>	Earmarked Reserves / Balance Sheet Provision
<b>Appendix 3</b>	HRA COVID-19 Summary
<b>Appendix 4</b>	HRA Summary Excluding COVID-19 Items



**Robert Steenson**  
**Executive Director (Enterprise and Communities)**

FINANCIAL MONITORING REPORT DIVISION : HRA SUMMARY  
 01 April 2020 to 24 JULY 2020 (Period 4) Cost Centre: HRA [H]  
 COMMITTEE: HOUSING AND REGENERATION

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)	ANALYSIS (10)
EMPLOYEE COSTS	8,225,614	8,040,369	185,245 FAV	30,167,064	30,167,064	0 -	0.0%	Balanced budget
PROPERTY COSTS	11,587,469	9,428,771	2,158,698 FAV	57,909,820	50,755,820	7,154,000 FAV	12.4%	Underspend relates to reduced Housing Repairs activity offset by overspends in cleaning materials and minor property costs, all of this relates to the coronavirus pandemic. In addition increased homeless property rents fully offset by increased homeless rental income below.
SUPPLIES & SERVICES	440,194	550,399	(110,205) ADV	1,877,260	2,405,260	(528,000) ADV	(28.1)%	Increased temporary accommodation furniture spend due to required demand for temporary accommodation. This spend is fully offset by increased homeless rental income below.
TRANSPORT & PLANT	86,839	59,866	26,973 FAV	478,320	448,320	30,000 FAV	6.3%	Car mileage costs
ADMINISTRATION COSTS	1,125,713	1,356,007	(230,294) ADV	7,852,440	8,988,440	(1,136,000) ADV	(14.5)%	Increased future credit loss provision for non recovery of mainstream rent arrears offset by savings within legal and sheriff officer fees, all relate to the coronavirus pandemic. Increased future credit loss provision for non recovery of homeless rent arrears are fully offset by increased rental income below.
PAYMENTS TO OTHER BODIES	24,960	24,360	600 FAV	231,120	231,120	0 -	0.0%	Balanced budget
APPORTIONED EXPENSES	490,133	428,595	61,538 FAV	5,943,440	5,743,440	200,000 FAV	3.4%	Reduced First Stop Shop recharge relates to the coronavirus pandemic
CAPITAL FINANCING COSTS	0	0	0 -	20,407,560	20,532,560	(125,000) ADV	(0.6)%	Due to increased borrowing requirement in 2019/20
C.F.C.R.	0	0	0 -	27,146,260	27,146,260	0 -	0.0%	Balanced budget
OTHER COSTS	0	0	0 -	4,314,090	814,090	3,500,000 FAV	81.1%	Ambition funding carry forward
TOTAL EXPENDITURE	21,980,922	19,888,367	2,092,555 FAV	156,327,374	147,232,374	9,095,000 FAV	5.8%	
OTHER GRANTS	0	0	0 -	0	0	0 -	0.0%	Balanced budget
FEES AND CHARGES	57,295	61,428	4,133 FAV	8,332,880	8,373,880	41,000 FAV	(0.5)%	Recovery of furlough payments offset by reduced court dues/fines and laundry income, relate to the coronavirus pandemic. Recovery of furlough payments for temporary accommodation staff partially offset additional homeless costs noted above
RENTS	35,736,442	35,885,207	148,765 FAV	146,548,030	147,134,030	586,000 FAV	0.4%	Reduced mainstream rental income relates to the current pandemic. Increased temporary accommodation rental income fully offsets the additional homeless costs noted above
INTEREST	0	0	0 -	80,000	80,000	0 -	0.0%	Balanced budget
DEPARTMENTAL CHARGES	0	0	0 -	102,326	102,326	0 -	0.0%	Balanced budget
SURPLUS	0	0	0 -	1,264,138	1,264,138	0 -	0.0%	Balanced budget
INCOME	35,793,737	35,946,635	152,898 FAV	156,327,374	156,954,374	627,000 FAV	0.4%	
NET EXPENDITURE	(13,812,815)	(16,058,268)	2,245,453 FAV	0	(9,722,000)	9,722,000 FAV		

**North Lanarkshire Council**  
**Housing Revenue Account - Earmarked Reserves**  
**01 April 2020 to 24 July 2020 (Period 4)**

DESCRIPTION OF EARMARKED RESERVES	VALUE OF EARMARKED RESERVE	PROJECTED OUTTURN		CARRY FORWARD	ANALYSIS
		VALUE	%		
(1)	(2)	(3)	(4)	(5)	(6)
	£	£		£	
Welfare Reform - Sustainability Reserve	539,325	539,325	0.0%	0	Potential overspend in 2020/21
Rent Relief Fund	300,000	300,000	0.0%	0	Budget fully utilised
Welfare Reform staffing	622,406	464,000	25.5%	158,406	Balance required in 2021/22
Enterprise Contract	151,112	151,112	0.0%	0	Full spend anticipated in 2020/21
DigitalNL	500,000	0	100.0%	500,000	No call anticipated in 2020/21 but will be required in future years
Temporary Accommodation Reserve	5,502,035	0	100.0%	5,502,035	Balance required in future years
Rent Restructure	1,079,000	281,408	73.9%	797,592	Balance required in future years
Ambition Funding	3,172,483	0	100.0%	3,172,483	To fund future programme
<b>SUB TOTAL</b>	<b>11,866,361</b>	<b>1,735,845</b>	<b>85.4%</b>	<b>10,130,516</b>	
Change Management/Risks & Uncertainty	829,386	0	0.0%	829,386	
Core Reserve	1,450,000	0	100.0%	1,450,000	No call anticipated in 2020/21
<b>TOTAL</b>	<b>14,145,747</b>	<b>1,735,845</b>	<b>87.7%</b>	<b>12,409,902</b>	

**FINANCIAL MONITORING REPORT**  
**01 April 2020 to 24 JULY 2020 (Period 4)**
**DIVISION : HRA COVID-19 SUMMARY**  
**Cost Centre: HRA [H]**
**COMMITTEE: HOUSING AND REGENERATION**

CATEGORY (1)	ANNUAL BUDGET (2)	PROJECTED OUTTURN (3)	PROJECTED OUTTURN VARIANCE (4)	ANALYSIS (6)
EMPLOYEE COSTS	0	0	0 -	
PROPERTY COSTS	0	7,479,000	(7,479,000) FAV	Underspend relates to reduced Housing Repairs demand due to lockdown, offset by overspends within cleaning materials and minor property costs
SUPPLIES & SERVICES	0	0	0 -	
TRANSPORT & PLANT	0	30,000	(30,000) FAV	Car mileage costs
ADMINISTRATION COSTS	0	(705,000)	705,000 ADV	Increased future credit loss provision and further utilisation of UCAF and rent relief funds, offset by reduced legal and sheriff officer fees
PAYMENTS TO OTHER BODIES	0	0	0 -	
APPORTIONED EXPENSES	0	200,000	(200,000) FAV	Reduced First Stop Shop recharge
CAPITAL FINANCING COSTS	0	0	0 -	
C.F.C.R.	0	0	0 -	
OTHER COSTS	0	0	0 -	
<b>TOTAL EXPENDITURE</b>	<b>0</b>	<b>7,004,000</b>	<b>(7,004,000) FAV</b>	
OTHER GRANTS	0	0	0 -	
FEES AND CHARGES	0	(18,000)	18,000 ADV	Under recoveries of court dues/fines and laundry income, offset by recovery of furlough payments
RENTS	0	(633,000)	633,000 ADV	Reduced mainstream rental income offset by increased property rents
INTEREST	0	0	0 -	
DEPARTMENTAL CHARGES	0	0	0 -	
SURPLUS	0	0	0 -	
<b>INCOME</b>	<b>0</b>	<b>(651,000)</b>	<b>651,000 ADV</b>	
<b>NET EXPENDITURE</b>	<b>0</b>	<b>6,353,000</b>	<b>(6,353,000) FAV</b>	

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

## FINANCIAL MONITORING REPORT

DIVISION : HRA SUMMARY (EXCL. COVID-19)

01 April 2020 to 24 JULY 2020 (Period 4)

COMMITTEE: HOUSING AND REGENERATION

CATEGORY (1)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)
EMPLOYEE COSTS	30,167,064	30,167,064	0 -	0.0%	0	Balanced budget
PROPERTY COSTS	57,909,820	58,234,820	(325,000) ADV	(0.6)%	0	Additional temporary accommodation rent charge fully offset by increased rental income below
SUPPLIES & SERVICES	1,877,260	2,405,260	(528,000) ADV	(28.1)%	0	Increased temporary accommodation furniture spend due to required demand for temporary accommodation fully offset by increased rental income below
TRANSPORT & PLANT	478,320	478,320	0 -	0.0%	0	Balanced budget
ADMINISTRATION COSTS	7,852,440	8,283,440	(431,000) ADV	(5.5)%	0	Increased future credit loss provision for temporary accommodation rent arrears fully offset by increased rental income below
PAYMENTS TO OTHER BODIES	231,120	231,120	0 -	0.0%	0	Balanced budget
APPORTIONED EXPENSES	5,943,440	5,943,440	0 -	0.0%	0	Balanced budget
CAPITAL FINANCING COSTS	20,407,560	20,532,560	(125,000) ADV	(0.6)%	0	Due to increased borrowing requirement in 2019/20
C.F.C.R.	27,146,260	27,146,260	0 -	0.0%	0	Balanced budget
OTHER COSTS	4,314,090	814,090	3,500,000 FAV	81.1%	0	Ambition funding carry forward
<b>TOTAL EXPENDITURE</b>	<b>156,327,374</b>	<b>154,236,374</b>	<b>2,091,000 FAV</b>	<b>1.3%</b>	<b>0</b>	
OTHER GRANTS	0	0	0 -	0.0%	0	Balanced budget
FEES AND CHARGES	8,332,880	8,391,880	59,000 FAV	(0.7)%	0	Recovery of furlough payments of temporary accommodation staff partially offsetting increased temporary accommodation costs noted above
RENTS	146,548,030	147,767,030	1,219,000 FAV	0.8%	0	Increased temporary accommodation rental income fully offsetting increased temporary accommodation costs noted above
INTEREST	80,000	80,000	0 -	0.0%	0	Balanced budget
DEPARTMENTAL CHARGES	102,326	102,326	0 -	0.0%	0	Balanced budget
SURPLUS	1,264,138	1,264,138	0 -	0.0%	0	Balanced budget
<b>INCOME</b>	<b>156,327,374</b>	<b>157,605,374</b>	<b>1,278,000 FAV</b>	<b>0.8%</b>	<b>0</b>	
<b>NET EXPENDITURE</b>	<b>0</b>	<b>(3,369,000)</b>	<b>3,369,000 FAV</b>		<b>0</b>	