

North Lanarkshire Council Report

Housing and Regeneration Committee

approval noting

Ref GT/AN

Date 25/11/20

HRA Revenue Monitoring Report – 1 April 2020 to 16 October 2020

From Robert Steenson, Executive Director (Enterprise and Communities)

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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 16 October 2020 (Period 7). 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 realigned Homelessness budgets has increased this budget to £156m.

The overall projected surplus for the service of £7.801m, includes a net surplus as a result of the COVID-19 pandemic of £3.942m as detailed in Appendix 3. The underlying position of the Service excluding the impact of the pandemic is therefore a favourable outturn of £3.859m.

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

Recommendations

It is recommended that Committee:

- 1) Notes the financial position of the HRA revenue budget 2020/21.

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 Summary of Financial Position

- 2.1.1 The overall projected surplus for the service of £7.801m, includes a net surplus as a result of the COVID-19 pandemic of £3.942m as detailed in Appendix 3. The underlying position of the Service excluding the impact of the pandemic is therefore a favourable outturn of £3.859m.

2.1 Analysis of Significant Variances

- 2.2.1 An underspend of £5.196m is projected within Property Costs mainly as a consequence of the Coronavirus pandemic, £5.360m is attributed to savings across Housing Repairs due to the temporary cessation of non-essential repairs during lockdown, , this is net of supplier relief arrangements to support key strategic suppliers through the lockdown phase of the pandemic. This is partially offset by overspends within cleaning materials (£0.050m) and minor property costs (£0.050m).

The additional requirement for temporary accommodation during the pandemic has resulted in increased temporary accommodation property rent from the HRA (£0.264m) which will be fully offset by additional temporary accommodation income.

Additional savings are projected within void rent loss (£0.200m) as the Service continues to minimise time taken to re-let empty properties.

- 2.2.2 A projected overspend of £0.140m in Supplies & Services relates to increased temporary accommodation furniture costs which will be fully offset by additional temporary accommodation income.
- 2.2.3 A projected underspend of £0.050m in Transport & Plant costs relates to decreased car mileage costs due to lower usage during lockdown.
- 2.2.4 A projected overspend of £1.336m within Administration Costs is a result of anticipated increased future credit loss provisions (£1.080m) as a consequence of increased mainstream rent arrears and further utilisation of Universal Credit Assistance Fund (UCAF) and Covid Hardship Fund. With the ongoing increase in tenants claiming Universal Credit, the Service continues to monitor the availability of funding in UCAF and Rent Relief Funds to support tenants through the period of technical arrear inherent within the UC system. Throughout the remainder of the financial year, the service may be required to top-up funding in line with need and funded from the projected surplus position anticipated for the HRA.

Increased costs are partially offset by projected underspends associated with legal fees (£0.075m) and sheriff officer fees (£0.100m), 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.

2.2.5 Increased borrowing in 2019/20 has resulted in a projected overspend of £0.125m within Capital Financing Costs.

2.2.6 An anticipated carry forward into future years of £3.500m is projected from Ambition funding.

2.2.7 A projected over recovery of £0.572m in Rents is due to a combination of the under recovery of mainstream rental income (£0.916m) offset by additional HRA property rent (£0.264m) 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 (£1.223m) which will offset any additional expenditure noted in 2.1.1, 2.1.2, and 2.1.4.

2.2.8 A projected over recovery of £0.084m in Fees and Charges is due to recovery of furlough payments for temporary accommodation staff (£0.050m). 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 (£0.249m), which are related to the Coronavirus pandemic.

2.3 Earmarked and One-off Resources

2.3.1 An update on the current earmarked reserves is detailed in Appendix 2.

2.3.2 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.

2.4 2012/21 Budget Savings

2.4.1 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.

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.

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.

5. Measures of success

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

6. Supporting documents

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|-----|------------|---|
| 6.1 | Appendix 1 | HRA Summary |
| | Appendix 2 | Earmarked Reserves / Balance Sheet Provisions |
| | Appendix 3 | HRA COVID-19 Summary |
| | Appendix 4 | HRA Summary Excluding COVID-19 |

A handwritten signature in black ink, appearing to read "Rob Steenson". The signature is fluid and cursive, with a period at the end.

Robert Steenson
Executive Director (Enterprise and Communities)

Appendix 1

FINANCIAL MONITORING REPORT
01 April 2020 to 16 OCTOBER 2020 (Period 7)
COMMITTEE: 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	14,855,531	14,515,775	339,756 FAV	29,549,205	29,549,205	0 -	0.0%	0	Balanced budget
PROPERTY COSTS	23,741,324	20,570,346	3,170,978 FAV	57,909,820	52,713,820	5,196,000 FAV	9.0%	(108,000)	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 savings are projected within void rent loss as the Service continues to minimise the time taken to re-let empty properties.
SUPPLIES & SERVICES	846,098	831,709	14,389 FAV	1,866,260	2,006,260	(140,000) ADV	(7.5)%	388,000	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	135,384	108,398	26,986 FAV	475,320	425,320	50,000 FAV	10.5%	0	Reduced car mileage costs
ADMINISTRATION COSTS	2,206,373	2,453,342	(246,969) ADV	7,708,803	9,044,803	(1,336,000) ADV	(17.3)%	0	Increased future credit loss provision for non recovery of mainstream rent arrears and further utilisation of UCAF and rent relief funds are 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	52,934	52,934	0 -	231,120	231,120	0 -	0.0%	0	Balanced budget
APPORTIONED EXPENSES	189,927	189,927	0 -	5,943,440	5,943,440	0 -	0.0%	0	Balanced Budget
CAPITAL FINANCING COSTS	0	0	0 -	20,407,560	20,532,560	(125,000) ADV	(0.6)%	0	Due to increased borrowing requirement in 2019/20
C.F.C.R.	0	0	0 -	27,146,260	27,146,260	0 -	0.0%	0	Balanced budget
OTHER COSTS	0	0	0 -	4,314,090	814,090	3,500,000 FAV	81.1%	0	Ambition funding carry forward
TOTAL EXPENDITURE	42,027,571	38,722,431	3,305,140 FAV	155,551,878	148,406,878	7,145,000 FAV	4.6%	280,000	
OTHER GRANTS	0	0	0 -	0	0	0 -	0.0%	0	Balanced budget
FEES AND CHARGES	703,861	701,946	(1,915) ADV	8,459,991	8,543,991	84,000 FAV	(1.0)%	0	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	65,757,371	66,186,863	429,492 FAV	146,548,030	147,120,030	572,000 FAV	0.4%	0	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%	0	Balanced budget
DEPARTMENTAL CHARGES	0	0	0 -	90	90	0 -	0.0%	0	Balanced budget
SURPLUS	0	0	0 -	463,857	463,857	0 -	0.0%	0	Balanced budget
INCOME	66,461,232	66,888,809	427,577 FAV	155,551,968	156,207,968	656,000 FAV	0.4%	0	
NET EXPENDITURE	(24,433,661)	(28,166,378)	3,732,717 FAV	90	(7,801,090)	7,801,180 FAV		280,000	

North Lanarkshire Council
Housing Revenue Account - Earmarked Reserves
01 April 2020 to 16 OCTOBER 2020 (Period 7)

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	463,857	25.5%	158,549	Balance required in 2021/22
Enterprise Contract	769,112	151,112	80.4%	618,000	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	2,554,483	0	100.0%	2,554,483	To fund future programme
SUB TOTAL	11,866,361	1,735,702	85.4%	10,130,659	
Change Management/Risks & Uncertainty	829,386	0	0.0%	829,386	Available for future allocation
Core Reserve	1,450,000	0	100.0%	1,450,000	No call anticipated in 2020/21
TOTAL	14,145,747	1,735,702	87.7%	12,410,045	

Appendix 3

FINANCIAL MONITORING REPORT **DIVISION :** **DIVISION :** **HRA COVID-19 SUMMARY**
01 April 2020 to 16 OCTOBER 2020 (Period 7) **Cost Centre:** **Cost Centre:** **HRA [H]**
COMMITTEE: COMMUNITIES AND HOUSING

CATEGORY (1)	ANNUAL BUDGET (2)	PROJECTED OUTTURN (3)	PROJECTED OUTTURN VARIANCE (4)		PERIOD MOVEMENT (5)	ANALYSIS (6)
EMPLOYEE COSTS	£ 0	0	0	-	0	
PROPERTY COSTS	0	5,260,000	5,260,000	FAV	108,000	Underspend relates to reduced Housing Repairs demand due to lockdown, offset by overspends within cleaning materials and minor property costs Reduced car mileage costs Increased future credit loss provision and further utilisation of UCAF and rent relief funds, offset by reduced legal and sheriff officer fees
SUPPLIES & SERVICES	0	0	0	-	0	
TRANSPORT & PLANT	0	50,000	50,000	FAV	0	
ADMINISTRATION COSTS	0	(905,000)	(905,000)	ADV	0	
PAYMENTS TO OTHER BODIES	0	0	0	-	0	
APPORTIONED EXPENSES	0	0	0	-	0	
CAPITAL FINANCING COSTS	0	0	0	-	0	
C.F.C.R.	0	0	0	-	0	
OTHER COSTS	0	0	0	-	0	
TOTAL EXPENDITURE	0	4,405,000	4,405,000	FAV	108,000	
OTHER GRANTS	0	0	0	-	0	Under recoveries of court dues/fines and laundry income, offset by recovery of furlough payments Reduced mainstream rental income offset by increased temporary accommodation property rents
FEES AND CHARGES	0	64,000	64,000	FAV	0	
RENTS	0	(635,000)	(635,000)	ADV	0	
INTEREST	0	0	0	-	0	
DEPARTMENTAL CHARGES	0	0	0	-	0	
SURPLUS	0	0	0	-	0	
INCOME	0	(571,000)	(571,000)	ADV	0	
NET EXPENDITURE	0	3,834,000	3,834,000	FAV	108,000	

FAV = Favourable variation, underspend etc

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

FINANCIAL MONITORING REPORT

01 April 2020 to 16 OCTOBER 2020 (Period 7)

COMMITTEE: COMMUNITIES AND HOUSING

CATEGORY (1)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)
EMPLOYEE COSTS	29,549,205	29,549,205	0 -	0.0%	0	Balanced budget
PROPERTY COSTS	57,909,820	57,973,820	(64,000) ADV	(0.1)%	0	Additional temporary accommodation rent charge fully offset by increased rental income below
SUPPLIES & SERVICES	1,866,260	2,006,260	(140,000) ADV	(7.5)%	388,000	Increased temporary accommodation furniture spend due to required demand for temporary accommodation fully offset by increased rental income below
TRANSPORT & PLANT	475,320	475,320	0 -	0.0%	0	Balanced budget
ADMINISTRATION COSTS	7,708,803	8,139,803	(431,000) ADV	(5.6)%	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
TOTAL EXPENDITURE	155,551,878	152,811,878	2,740,000 FAV	1.8%	388,000	
OTHER GRANTS	0	0	0 -	0.0%	0	Balanced budget
FEES AND CHARGES	8,459,991	8,479,991	20,000 FAV	(0.2)%	0	Recovery of furlough payments of temporary accommodation staff partially offsetting increased temporary accommodation costs noted above
RENTS	146,548,030	147,755,030	1,207,000 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	90	90	0 -	0.0%	0	Balanced budget
SURPLUS	463,857	463,857	0 -	0.0%	0	Balanced budget
INCOME	155,551,968	156,778,968	1,227,000 FAV	0.8%	0	
NET EXPENDITURE	90	(3,967,090)	3,967,180 FAV		388,000	

FAV = Favourable variation, underspend etc

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