

# North Lanarkshire Council Report

## Housing and Regeneration Committee

approval  noting

Ref GT/AN/IMcC

Date 25/11/20

## Housing Revenue Account – 2021/22 Revenue Estimates

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### Executive Summary

The purpose of this report is to present to Committee information that will enable to Council to set its Housing Revenue Account (HRA) budget for 2021/22.

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### Recommendations

It is recommended that Committee:

- (1) Notes the base budget adjustments detailed in Appendix 1.
- (2) Notes the base budget savings outlined in Appendix 2.
- (3) Considers the allocation of HRA surplus balances as detailed in paragraphs 2.2, 2.3 and 2.4.
- (4) Agrees to review the financial assumptions contained within this report at a meeting in December 2020 to approve the HRA Revenue Estimates 2021/22.
- (5) Otherwise notes this report.

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### 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 Income and expenditure in relation to a local authority's own direct provision of housing must be recorded within a Housing Revenue Account (HRA) as set out in the Housing (Scotland) Act 1987. In addition, this act sets out the requirement for local authorities to set an annual budget to supports sound financial management and control and helps ensure that expenditure is linked to the key priorities of tenants.
- 1.2 North Lanarkshire is Scotland's largest local authority landlord, with a housing stock of approximately 36,000. The number has reduced marginally over the last year reflecting the impact of tower re-provisioning, partially offset by additions to the stock through the Council's new supply programme and buy back schemes
- 1.3 The Council approved its 2020/21 HRA budget of £152m on 19 December 2019, almost entirely funded from tenant rents.
- 1.4 The average 2020/21 weekly rent in North Lanarkshire of £70.77 is the fourth lowest amongst Scottish local authority landlords. In the latest figures in 2019/20 for all registered social landlords across Scotland, North Lanarkshire's rent levels were 18.4% below the Scottish average.
- 1.5 In setting the HRA budget and rent levels in December 2017, the Council agreed to an average rental increase of 5% for 2018/19 and 5% for the subsequent three years up to 2021/22, subject to six monthly monitoring reports being submitted to Committee and a review being undertaken after two years. The upcoming financial year 2021/22 will be the final year of that four year agreement.
- 1.6 Committee has received regular updates on the progress of delivering the Council's ambitious plans for housing through the Economic Regeneration Delivery Plan (P018). This has been further strengthened through The Plan for North Lanarkshire approved in March 2019 with specific focus on three key programmes of work supported by the current rent strategy:
  - PO13 – New Supply Programme
  - PO14 – Tower Strategy
  - PO15 – Housing Investment Programme
- 1.7 Significant progress to date includes:
  - An increase in the target for new supply housing from 2,150 by 2027 to 5,000 by 2035,
  - Continued progress on identifying and delivering new build sites across North Lanarkshire with updated projections presented to Housing and Regeneration Committee during Cycle 3,
  - The approval, development and ongoing delivery of plans for investment and re-provisioning of the Council's tower properties,
  - Approval of a 5 year mainstream capital programme from 2021/22 to 2025/26 that aims to deliver £306m of investment in the Council's housing stock; a 20% increase from the previous 5 year planning period. This includes £138m of funding aimed at improving energy and carbon efficiency across the estate.
  - An expansion of Council buy back schemes which will allow for around 130 properties to be brought back into use each year.

1.8 The 30-year Business Plan included as part of the 2020/21 budget setting process remains largely unchanged at this stage. Financial Solutions in conjunction with the Service is in the process of revising the Council's 30-year Business Plan for HRA to better reflect the updated investment targets and phasing of delivery of new supply. It is the intention to bring an update at a future Committee and align with the Council's Medium Term Financial Plan updates presented to Committee in Cycle 3.

#### *Housing Benefit / Universal Credit*

1.9 Approximately 22,674 council tenants in North Lanarkshire (65%) are in receipt of Housing Benefit or the housing cost element of Universal Credit.

1.10 A rent increase would result in some tenants receiving more Housing Benefit and some existing non-claimants becoming entitled to Housing Benefit. However, unless their circumstances change, most tenants will be liable for the same contribution towards their rent, with Housing Benefit making up the difference.

1.11 Tenants currently entitled to the full housing cost element of Universal Credit would have their Universal Credit payment uplifted to reflect any rent increases up to the Local Housing Allowance cap.

1.12 Following approval at the former Housing and Regeneration Committee in November 2019, the Council established the Universal Credit Assistance Fund. This was expanded to include the Covid Hardship Fund in June 2020. To date a total of 3,751 tenants have been supported through either the Universal Credit Assistance Fund or Covid Hardship Fund.

1.13 Despite the significantly uncertain economic environment facing NLC, these measures have helped stabilise the rent arrears position for the Council. In fact, as outlined in a separate report to this Committee, both the average arrears of tenants claiming Universal Credit and the percentage of Universal Credit tenants in arrears have reduced.

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## **2. Report**

### *HRA Revenue Estimates*

2.1 In assessing the budgetary requirements of the Housing Revenue Account for 2021/22, a number of variables and factors have to be considered and analysed before determining the adjustments required in the base budget position. These base budget adjustments are outlined in Appendix 1, with the main factors described below:

2.1.1 Cost Pressures of £4.501m to ensure that the HRA can continue to deliver a highly performing repair and maintenance programme, effective housing management and support and deliver the approved capital programme, including:

- Employee cost pressures totalling £1.029m, incorporating an anticipated pay award for 2021/22 and the ongoing impact of incremental pay pressures.
- The cost of funding capital investment including prior year expenditure and approved investment targets in line with the existing 30-year Business Plan (£1.454m).
- The impact of service realignments for retirement housing (£0.639m).
- An allowance for continuing support for the Universal Credit Assistance Fund, Rent Hardship Fund and / or providing for additional doubtful debts (£0.500m)

- The HRA's share of ongoing DigitalNL costs associated with digital infrastructure and technology improvements (£0.529m)
- Inflationary rises for energy, repairs and other services (£0.506m)
- These are partially offset by the impact of fluctuations in housing stock on rent levels (£0.156m).

2.1.2 Additional rental income following the Council's decision to approve an annual rent rise of 5% from 2018/19 to 2021/22. The 5% rise applicable to 2021/22 will generate additional rental income of approximately £6.617m.

2.1.3 Base Budget Savings are considered each year to ensure that the HRA continues to direct its resources towards key priorities. Appendix 2 outlines base budget savings of £0.352m that will be implemented by the service in 2021/22.

2.1.4 The combined impact of these adjustments is annual recurring growth of £2.468m. This can be summarised as follows:

	£m
Cost Pressures (see Appendix 1)	(4.501)
Additional Rental Income	6.617
Base Budget Saving (see Appendix 2)	0.352
<b>Recurring investment in Ambition Programme</b>	<b>2.468</b>

2.2 This level of additional recurring investment in the Council's Ambition Programme could equate to around £55m of additional capital investment to continue to support the priorities outlined in paragraphs 1.6 and 1.7.

#### *Use of Surplus Balances*

2.3 As part of its long-term HRA budget strategy, it is the Council's policy to set aside approximately 1% of the HRA budget as a core reserve. As a result, the core reserve currently stands at £1.450m.

2.4 In addition, the HRA reserve balances include a Change Management / Risks & Uncertainty reserve of £0.829m. This excludes the currently projected surplus for 2020/21 of surplus projected in the current financial year of £7.521m.

2.5 Elected Members are reminded of the Council's Reserves Policy approved at Policy and Strategy Committee in January 2020 which aims to ensure that available balances are managed and utilised in accordance with effective governance principles and continue to support financial plans which are affordable and sustainable.

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### **3. Equality and Diversity**

#### 3.1 Fairer Scotland Duty

The HRA budget for 2021/22 will ensure that the Council can continue to provide a highly effective and responsive housing management service for all tenants and improve the health and wellbeing and economic outcomes of communities through the delivery of significant additional capital investment in high quality and affordable social housing.

#### 3.2 Equality Impact Assessment

It is not expected that any community with protected characteristics will be adversely affected by the 2021/22 HRA budget.

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#### **4. Implications**

- 4.1 Financial Impact  
The financial implications of the 2021/22 Revenue Estimates are outlined throughout the report.
- 4.2 HR/Policy/Legislative Impact  
No implications.
- 4.3 Environmental Impact  
No implications.
- 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 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. These risks are increased by the current and potentially ongoing economic impact of the Covid-19 pandemic. These risks will be closely monitored throughout 2021/22.

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#### **5. Measures of success**

- 5.1 The Council is required to set a balanced budget for the Housing Revenue Account with expenditure plans fully funded by income, largely from housing rents.
- 5.2 The setting of an annual budget and thereafter monitoring the budget ensures that tenants can have confidence that the Council and its officers are accountable for the spending decisions they make.

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#### **6. Supporting documents**

- 6.1
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|------------|---------------------------------|
| Appendix 1 | Base Budget Adjustments 2021/22 |
| Appendix 2 | Base Budget Savings 2021/22     |



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

**Housing Revenue Account  
Base Budget Adjustments 2021/22**

	<b>£000</b>	<b>£000</b>
<b>Employee Costs</b>		
Pay awards and incremental drift		<b>1,029</b>
<b>Inflationary Pressures</b>		
Housing repairs inflation and stock movements	291	
Trading and support service costs	188	
Energy costs	27	
		<b>506</b>
<b>Capital Financing Costs</b>		
Loan charges		<b>1,454</b>
<b>Service Changes</b>		
Retirement Housing	639	
DigitalNL	529	
		<b>1,168</b>
Additional contribution to UCAF / provision for doubtful debt		<b>500</b>
Impact of changes in stock values		<b>(156)</b>
<b>Cost Pressures Total</b>		<b>4,501</b>

**Housing Revenue Account****Base Budget Savings 2021/22**

	<b>£000</b>
<b>Property Costs</b> Absorbing small inflationary increase within existing repairs budgets to reflect reduced property repair costs following tower demolitions and significant recent capital investment costs.	270
<b>Other Housing Charges</b> Additional income generated from a 5% increase on other housing charges.	82
<b>Total base budget savings</b>	<b>352</b>