

North Lanarkshire Council Report

Housing Committee

Does this report require to be approved?

☐ Yes ☒ No

Ref SL/GT/VR

Date

08/05/24

Revenue Monitoring Report – Housing Revenue Accounts

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Executive Summary

This report provides a summary of the Housing Revenue Account financial performance for the period 1 April 2023 to 1 March 2024 (Period 12). The report illustrates the projected outturn as at 31 March 2024, with major outturn variances highlighted and explained in accordance with the Council's approved Financial Regulations.

The Service is currently projecting an overspend of £3.383m for the financial year which is largely attributable to the increased costs associated with the repayment of borrowing.

However, a significant overspend in relation to Housing Repairs is being fully managed through underspends across the HRA including employee costs resulting from vacancies and through reducing revenue contributions to the Capital programme (CFCR *Capital Funded from Current Revenue*).

For 2024/25 the service will be required to consider greater expenditure controls to ensure financial sustainability of the HRA whilst managing the cost of providing housing repairs with continuing inflationary and demand pressures.

Approved savings of £0.070m have been included within the budget and are currently anticipated to be fully delivered by the end of the financial year.

Recommendations

It is recommended that the Housing Committee:

- 1) Acknowledges the financial position of the HRA revenue budget 2023/24.

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
Programme of Work	Statutory / corporate / service requirement

1. Background

- 1.1 The Council approved its Housing Revenue Account budget of £164m on 23 February 2023.
- 1.2 The Financial Regulations require Services 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, Services 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 The service is currently projecting an overspend of £6.384m for the financial year.

Analysis of Significant Variances

- 2.2 It is expected that Employee Costs will underspend by £1.898m as a result of increased turnover/vacancy savings. The position reflects the full year impact of the 2023/24 pay award agreed between COSLA and the Trade Unions.
- 2.3 An overspend of £6.377m is anticipated within Property Costs. This is primarily due to increasing costs associated with repairs (£5.884m) where the HRA have experienced significant increases in demand for housing repairs and maintenance alongside increased costs as a result of volatile inflation. Combined with the added pressure from the current repairs and maintenance contract coming to an end.. The overspend position arising from repairs can in the main be met from underspends across the remainder of the service budget lines including reduced revenue contributions to the capital programme (CFCR *Capital Funded from Current Revenue*). In addition, the property costs overspend incorporates increased costs associated with grounds maintenance (£0.490m) and Void Rent Loss (£0.288m) which are partially offset by underspends within Council Tax for empty properties (£0.151m), close cleaning (£0.065m), letting initiative (£0.050m) and cleaning of open spaces (£0.019m).
- 2.4 An underspend of £0.352m is projected within Administration Costs due to decreased legal activity impacting sheriff officer fees (£0.110m) and legal fees (£0.040m). In addition there are underspends in relation to departmental recharges (£0.100m) and expected credit losses (£0.102m)
- 2.5 An underspend of £0.500m in Apportioned Expenses is projected as a result of lower than anticipated IT recharges to the Housing Revenue Account.
- 2.6 An overspend of £3.383m Capital Financing Costs is projected as a result of increased loans funds charges due to higher than anticipated borrowing rates affected by the current market conditions. These additional costs will be met from reserve balances held for repayment of the loan debt holiday.
- 2.7 A reduction in the need for revenue contributions to the HRA Capital programme will result in an underspend of £2.085m within the CFCR budget line. This is as a result of slippage in the New Supply programme where the revenue contributions will be substituted from budgeted borrowing. This will result in a slight increase to revenue

borrowing costs from 2024/25 of approximately £0.140m which will be incorporated into future financial planning assumptions.

- 2.8 An underspend of £0.732m is anticipated within Other Costs due to the release of Ambition funding not required in the current financial year.
- 2.9 An over-recovery of £0.195m is projected within Fees and Charges due to contributions received towards affordable housing through the Council Tax levy (£0.375m). This is offset by under recoveries in court dues/fines (£0.100m) and laundry facility charges (£0.080m).
- 2.10 An over recovery in Rents of £0.167m is anticipated due to increased mainstream rental income.
- 2.11 An over recovery of £0.448m in Interest income is projected as a result of higher than expected interest received on revenue balances associated with increased market rates.
- 2.12 The HRA will be able to support the projected outturn position in the 2023/24 financial year by drawing down from reserves. However, the use of reserves to manage cost pressures is not financially sustainable so the service is likely to have to consider greater expenditure controls in 2024/25 to manage cost pressures.

Earmarked and One-off Resources

- 2.13 HRA reserve balances brought forward from 2022/23 totalled £26.318m, this includes a revised contingency fund balance of £1.640m and unallocated reserves of £5.312m. It is anticipated that a total of £8.517m will be utilised during 2023/24 as detailed in appendix 2. A review of reserve balances will be undertaken as part of the year end close down in order to ensure suitable reserves are maintained.

2022/23 Budget Savings

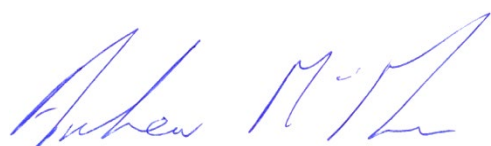
- 2.14 The service uses a variety of information, records and processes to monitor achievement of its approved budget savings of £0.070m. As at Period 12, it is anticipated that 100% approved savings will be delivered by the end of the financial year.

3. Measures of success

- 3.1 The Service continues to operate withing approved resources and meet required savings targets.

4. Supporting documentation

- 4.1 Appendix 1 HRA Summary
Appendix 2 Earmarked Reserves / Balance Sheet Provisions



5. Impacts

5.1 Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact? If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/>
5.2 Financial impact Does the report contain any financial impacts? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact? The financial impacts are contained within the report and supporting appendices.
5.3 HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?
5.4 Legal impact Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?
5.5 Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk Yes <input type="checkbox"/> No <input type="checkbox"/>

5.6	Technology / Digital impact Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact? Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)? Yes <input type="checkbox"/> No <input type="checkbox"/>
5.7	Environmental / Carbon impact Does the report / project / practice contain information that has an impact on any environmental or carbon matters? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?
5.8	Communications impact Does the report contain any information that has an impact on the council's communications activities? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?
5.9	Risk impact Is there a risk impact? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed? All activities undertaken by the council are subject to risk, and in acknowledging the Council's approved Risk Management Strategy, 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 the impact of inflation on key service contracts and the cost of living crisis presents an ongoing risk to the financial outturn for 2023/24 and this is an ongoing focus of discussion within the Service and with Finance. To minimise risk, this report has been prepared by Finance personnel in consultation with budget managers, in accordance with the Financial Regulations.
5.10	Armed Forces Covenant Duty Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.

5.11 Children's rights and wellbeing impact

Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these?

Yes ☐ No ☒

If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).

If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?

Yes ☐ No ☐

Appendix 1

FINANCIAL MONITORING REPORT
01 April 2023 to 1 MARCH 2024 (Period 12)
COMMITTEE: HOUSING

CATEGORY (1)	ANNUAL BUDGET (5) £	PROJECTED OUTTURN (6) £	PROJECTED OUTTURN VARIANCE (7)	% (8)	ANALYSIS (10)
EMPLOYEE COSTS	31,762,510	29,864,510	1,898,000 FAV	6.0%	Underspend due to increased turnover/vacancy savings and includes pay award impact
PROPERTY COSTS	62,279,850	68,656,850	(6,377,000) ADV	(10.2)%	Overspend mainly due to increased repair costs, void rent loss and ground maintenance costs slightly offset by underspends in council tax for empty properties, close cleaning, letting initiative and cleaning of open spaces
SUPPLIES & SERVICES	734,020	734,020	0 -	0.0%	Balanced budget
TRANSPORT & PLANT	387,440	387,440	0 -	0.0%	Balanced budget
ADMINISTRATION COSTS	5,585,040	5,233,040	352,000 FAV	6.3%	Underspend due to decreased legal and sheriff officer fees and savings within departmental recharges and credit losses
PAYMENTS TO OTHER BODIES	231,120	231,120	0 -	0.0%	Balanced budget
APPORTIONED EXPENSES	7,764,850	7,264,850	500,000 FAV	6.4%	Underspend due to decreased IT recharges
CAPITAL FINANCING COSTS	27,400,280	30,783,280	(3,383,000) ADV	(12.3)%	Overspend due to increased borrowing costs impacting loan charges
C.F.C.R.	27,146,260	25,061,260	2,085,000 FAV	7.7%	Reduced revenue contribution to Capital Programme
OTHER COSTS	765,101	33,101	732,000 FAV	95.7%	Ambition
TOTAL EXPENDITURE	164,056,471	168,249,471	(4,193,000) ADV	(2.6)%	
OTHER GRANTS	0	0	0 -	0.0%	
FEES AND CHARGES	8,881,320	9,076,320	195,000 FAV	(2.2)%	Over recovery due to Council Tax levy slightly offset by overspends in laundry facilities and court dues/fines
RENTS	151,542,404	151,709,404	167,000 FAV	0.1%	Over recovery of mainstream rental income
INTEREST	15,000	463,000	448,000 FAV	2986.7%	Over recovery due to interest received on revenue balances
DEPARTMENTAL CHARGES	538,607	538,607	0 -	0.0%	
SURPLUS	3,079,140	3,079,140	0 -	0.0%	
INCOME	164,056,471	164,866,471	810,000 FAV	0.5%	
NET EXPENDITURE	0	3,383,000	(3,383,000) ADV		

Appendix 2

North Lanarkshire Council
Housing Revenue Account - Earmarked Reserves
01 April 2023 to 1 MARCH 2024 (Period 12)

DESCRIPTION OF EARMARKED RESERVES	VALUE OF EARMARKED RESERVE	PROJECTED OUTTURN		CARRY FORWARD	ANALYSIS
		VALUE	%		
(1)	(2)	(3)	(4)	(5)	(6)
	£	£		£	
Ambition	4,385,433	3,079,140	29.8%	1,306,293	To fund 2023/24 HRA and residual balance required in future years
UCAF	350,208	350,208	0.0%	0	Budget fully utilised
Rent Assistance Fund	1,003,563	1,003,563	0.0%	0	Budget fully utilised
Enterprise Contract	1,000,000	604,361	39.6%	395,639	Balance required in future years
Rent Restructure	334,586	97,028	71.0%	237,558	Balance required in future years
Loan Debt Holiday	9,792,625	3,383,000	65.5%	6,409,625	To manage loan charge position and residual balance required in future years
HRA Capital Programme	2,500,000	0	100.0%	2,500,000	Balance required in future years
SUB TOTAL	19,366,415	8,517,300	56.0%	10,849,115	
Change Management/Risks & Uncertainty	5,311,595	0	0.0%	5,311,595	
Core Reserve	1,640,000	0	100.0%	1,640,000	
TOTAL	26,318,010	8,517,300	67.6%	17,800,710	