

North Lanarkshire Council Report

Housing Committee

Does this report require to be approved? Yes No

Ref SL / GT Date 06/11/24

Housing Revenue Account – 2025/26 Revenue Estimates

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Executive Summary

The purpose of this report is to present to Committee information that will enable the Council to set its Housing Revenue Account (HRA) budget and rent levels for 2025/26 and provide a Revenue Budget position for financial years 2026/27 and 2027/28.

The HRA Medium Term Financial Plan was presented to the Housing Committee in August 2024 and highlighted an envisaged budget gap in 2025/26 of £6.953m. The forecast position has now been updated to reflect changes in planning assumptions which has resulted in a very small net change to the forecast position with the budget gap for 2025/26 now expected to be £7.035m.

Recommendations

It is recommended that Housing Committee:

- (1) Acknowledges the key movements in the financial planning assumptions,
- (2) Recognises the subsequent impact on the budget gap, summarised at paragraph 2.4.6
- (3) Considers the HRA reserve balances as detailed in paragraphs 2.5 to 2.7, and
- (4) Agrees to review the financial assumptions contained in this report at the Council meeting in December 2024 to approve the HRA Revenue Estimates and rent levels for 2025/26.

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 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 support sound financial management 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 2024/25 HRA budget of £174m on 21 December 2023 with £161m (92%) funded by rental income from tenants.
- 1.4 The average 2024/25 weekly rent in North Lanarkshire of £86.45 is the 14th lowest amongst Scottish local authority landlords and 1% below the Scottish local authority average.
- 1.5 Committee has received regular updates on the progress of delivering the Council's ambitious plans for housing through the Programme of Work and specifically the Transforming Places theme with a renewed focus on transforming town centres and communities, creating places with high-quality homes and vibrant town centres.
- 1.6 Significant progress to date includes:
 - Completion of 1,490 new build homes with a further 140 on site. Sites have been identified and are at various stages of progression for a further 1,203 homes,
 - Expansion of the buy back scheme with 777 homes purchased through the Council Buy Back Schemes at 16 August 2024,
 - 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 £315m of investment in the Council's housing stock; greater than 20% increase from the previous 5 year planning period.

30-year Business Plan

- 1.7 The 30-year Business Plan included as part of the 2025/26 budget setting process is shown in Appendix 3. Finance has worked closely with Housing and the New Supply Team to confirm future investment targets to support the development and refinement of financial modelling. The 30-year Business Plan continues to demonstrate affordability and sustainability of plans based on current assumptions.

Housing Benefit / Universal Credit

- 1.8 During the mid point of the current financial year, North Lanarkshire had over 25,000 tenants in receipt of some form of support for their housing costs, representing 71% of tenants. 43% of tenants are now in receipt of the housing cost element of Universal Credit and a further 28% are in receipt of Housing Benefit.
- 1.9 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.
- 1.10 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.

- 1.11 As part of the 2024/25 Revenue Estimates the Council established a recurring Rent Assistance Fund of £1m. This has gone a long way to ensure the Council maintains a stable position for rent arrears by providing support to existing tenants to prevent them falling into arrears. The arrears balance for current tenants has remained largely unchanged throughout the current financial year where other landlords are experiencing significant increases in current tenant arrears.

2. Report

HRA Revenue Estimates 2025/26

- 2.2 Appendix 1 provides the updated Revenue Estimates position for 2025/26.

Adjusted 2024/25 Budget

- 2.3 The starting point for determining the HRA revenue budget for 2025/26 is the 2024/25 budget of £174.169m.

Expenditure Budget 2025/26

- 2.4 The 2025/26 revised base budget has been adjusted to reflect the planning assumptions detailed in the HRA Medium Term Plan 2025/26 to 2029/30 as presented to the Housing Committee in August 2024. As highlighted in the MTFP, a small change in the key assumptions can have a significant impact. Therefore, the planning assumptions have been revised and where changes have been made these are presented below.

2.4.1 An additional cost pressure of £0.353m for Employee related costs has been included since the MTFP. This movement allows for a re-baseline of the 2024/25 employee costs budget (£0.280m) following the most recent Pay Award negotiations between Trade Unions and COSLA. It is known that this latest pay offer has been rejected by one of the main Trade Unions and there remains uncertainty over the final pay deal. Therefore any shortfall in provision will be taken into account within the 2025/26 MTFP. In addition, the cost pressure now includes provision to rectify shortfalls for incremental payments to staff in line with the current pay and grading model as well as recognising a minor change to pension costs as a result of the amended pay award assumption.

2.4.2 The provision for the Repairs contract inflation has reduced by £3.322m in line with the BCIS indexation forecast of 2.3%. At the time of writing the MTFP the forecast was 8% and continues to be subject to change again between now and the new financial year. As in previous years however, the increases applied to the Repairs contract will remain under close monitoring with cost pressures managed where possible and burdens built into future planning assumptions.

2.4.3 Borrowing Costs are forecast to be significantly higher than previously anticipated within the MTFP with an addition £1.903m now included in the revenue estimates with interest rates falling at a slower rate than previously anticipated. This increase reflects the General Fund's forecast for borrowing rates of 4.85%.

2.4.4 General Contract Inflation has increased by £0.192m following a further review of the contracts in place within the HRA with further provision added for Care of Gardens and factoring arrangements on new build sites.

2.4.5 Other Costs shows an increase of £0.188m since the MTFP reflecting an updated review of the current year's projected outturn which identified some minor cost pressures that can no longer be managed within existing budget provision.

2.4.5 Base Budget Reductions are considered each year to ensure that the HRA continues to direct its resources towards key priorities. The revenue estimates recognises the removal of the anticipated First Stop Shop Saving which is now subject to further review (£0.216m). Further to this, assumptions around potential additional rental income through changes in stock has been adjusted as a result of the phasing of the Tower Strategy and impact on nil rented voids (£0.552m). This leaves a base budget adjustment of £1.050m from a reduction in energy budgets (£0.550m) and from expected credit losses (£.500m) as per the MTFP.

2.4.6 The combined impact of these cost pressures and partially offsetting savings is a budget gap of £7.035m. This can be summarised as follows:

	£m
Cost Pressures	8.085
Base Budget Reductions	(1.050)
Budget Gap	7.035

Table 1 - HRA Budget Gap

Use of Surplus Balances

2.5 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 anticipated core reserve currently stands at £1.742m. Based on the anticipated revenue budget required for 2025/26 it is anticipated that reserve will increase to £1.812m.

2.6 Based on the most recent revenue budget monitoring position, the projected HRA reserves position at 31 March 2025 can be summarised as follows:

	£m
Earmarked Reserves	8.415
Core Contingency Reserve	1.742
Held for risks and uncertainties to support future budget challenges	3.402
Projected at March 2025	13.560

Table 2 – HRA Projected Reserves

2.7 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.

2026/27 and 2027/28 Revenue Budget

2.8 Appendix 2 provides a reminder of the anticipated budget shortfalls forecast for 2026/27 and 2027/28 along with the updated 2025/26 position. This illustrates the longer term financial position of the HRA. At this stage no changes have been made to the future

year assumptions. Decisions taken for 2025/26 will be baselined as part of the next iteration of the MTFP.

Areas of Risk and Uncertainty

- 2.9 As always, in preparing the Revenue Estimates there is a level of risk and uncertainty around the forecasts and assumptions made, this is evident from the movements highlighted since the MTFP. The financial impact therefore remains under continuous review with any unbudgeted pressures arising, being managed where possible through in year management action or the use of reserves held for risks and uncertainties to support future budget challenges with the recurring impact addressed in future MTFPs.

3. Measures of success

- 3.1 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.
- 3.2 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.

4. Supporting documentation

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|------------|--------------------------------|
| Appendix 1 | Revenue Estimates 2025/26 |
| Appendix 2 | 3-Year Revenue Budget Forecast |
| Appendix 3 | 30-year Business Plan Summary |



Elaine Kemp
Chief Officer (Finance)

5. Impacts

<p>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 checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>The HRA budget for 2025/26 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.</p> <p>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 checked="" type="checkbox"/> No <input type="checkbox"/></p>
<p>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?</p> <p>The financial implications of the 2025/26 Revenue Estimates are outlined throughout the report.</p>
<p>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?</p>
<p>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?</p>
<p>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"/></p>

If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk

Yes No

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 No

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 No

5.7 Environmental / Carbon impact

Does the report / project / practice contain information that has an impact on any environmental or carbon matters?

Yes No

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 No

If Yes, please provide a brief summary of the impact?

5.9 Risk impact

Is there a risk impact?

Yes No

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 (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.

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 cost-of-living crisis. These risks will be closely monitored throughout 2025/26 through the Council's Financial Sustainability risk.

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 No

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

**Housing Revenue Accounts
Revenue Estimates 2025/26**

	£m	£m
2024/25 Revenue Budget		174.169
<u><i>Net Expenditure Requirements</i></u>		
Employee Costs -		
<i>Pay Award 2024/25</i>	0.280	
<i>Pay Award 2025/26</i>	0.496	
<i>Other Employee Costs</i>	0.218	
Repairs Contract Inflation	1.409	
General Contract Inflation	0.294	
Borrowing Costs	5.062	
Other Costs	0.326	8.085
<u><i>Base Budget Reductions</i></u>		
Energy Costs	(0.550)	
Expected Credit losses	(0.500)	(1.050)
Expenditure Budget 2025/26		181.204
Available Resources		
Rent Income	160.485	
Other Income	13.684	174.169
Recurring Budget Shortfall		7.035

**Housing Revenue Account
3-Year Budget Position Forecast**

	2025/26	2026/27	2027/28
	£m	£m	£m
Budget Gap per MTFP	6.953	12.928	9.075
Additional Employee Costs	0.353		
Reduced Repairs Contract Inflation	(3.322)		
Increased Borrowing Costs	1.903		
General Contract Inflation	0.192		
Other Movements	0.188		
Remove FSS Review	0.216		
Reduced Income	0.552		
Revised Budget Gap	7.035	12.928	9.075

30 Year Business Plan Summary

Year	2025/30	2030/35	2035/40	2040/45	2045/50	2050/55	30 Year Totals
Average Mainstream Housing Stock	34,377	34,183	34,062	33,663	33,145	32,807	
New Build Housing Stock	2,032	2,780	3,339	3,639	3,639	3,529	
Average Housing stock	36,409	36,963	37,401	37,302	36,784	36,336	
Capital Investment							
Prudential borrowing	722,466	883,362	965,565	850,123	613,827	576,917	4,612,260
Other receipts / Government Grants	85,200	85,200	80,115	0	0	0	250,515
Sub total	807,666	968,562	1,045,680	850,123	613,827	576,917	4,862,775
CFCR	100,445	100,445	100,445	100,445	100,445	100,445	602,670
Total resources	908,111	1,069,007	1,146,125	950,568	714,272	677,362	5,465,445
Loan Analysis							
Opening debt	571,876	1,200,199	1,906,828	2,580,090	3,034,932	3,122,795	
Prudential borrowing	722,466	883,362	965,565	850,123	613,827	576,917	
Principal repayment - historic debt	51,654	62,434	75,517	51,354	30,400	9,699	
Principal repayment - new borrowing	42,490	114,299	216,786	343,927	495,564	656,838	
Closing debt	1,200,199	1,906,828	2,580,090	3,034,932	3,122,795	3,033,175	
Per house (£) - Closing Stock	32,964	51,587	68,985	81,362	84,897	83,475	
Housing Revenue Account							
Loan Charges	289,259	507,753	809,392	1,085,969	1,341,955	1,602,873	5,637,201
Other Costs	722,448	803,844	894,893	994,940	1,104,813	1,105,877	5,626,816
Other income	(67,275)	(67,275)	(67,275)	(67,275)	(67,275)	(67,275)	(403,650)
Balance to be financed by rents	944,432	1,244,322	1,637,010	2,013,634	2,379,493	2,641,475	10,860,366
Average weekly rent (£)	98.89	129.28	167.13	206.42	248.72	279.19	
Rental Income	944,433	1,244,321	1,637,012	2,013,635	2,379,495	2,641,474	10,860,369
Capital charges as a % of rent income	30.63%	40.81%	49.44%	53.93%	56.40%	60.68%	