

**Housing Revenue Account
Revenue and Capital Final Outturn 2013/14 and Capital Plan 2014/15-
2016/17****Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

The purpose of this report is to provide Council with:-

- The final outturn position for 2013/14 for both the Capital Plan and the Revenue Account;
- A revised capital plan for 2014/15 to 2016/17 reflecting the carry forwards from 2013/14.

2 Background**2.1 Revenue Account 2013/14**

Quarter 3 projected an overspend of £0.401 million as reported to Council 4th February 2014. The Final Outturn for 2013/14 shows an underspend of £0.641 million as shown in appendix 1, resulting in a surplus of £3.701 million for the year.

The material variances can be broken down as follows:-

- Continuing capital investment in our housing stock, an increase in the level of rechargeable repairs as a result of the Housing and Homelessness service review and lower levels of average housing stock due to progress with Phase 2 of New Social Housing have all contributed to a significant decrease in the cost of reactive repairs resulting in an underspend of £1.698 million. At quarter 3 it was projected that the impact of this would only be £0.200 million;
- There is an overspend of £0.503 million, which is primarily due to the under occupancy charge resulting in an increase in voids and irrecoverables of £0.495 million;
- Progress with phase 2 of the new social housing programme have led to a lower level of average stock than projected at quarter 3 resulting in a decrease in rental income received of £0.262 million.

The HRA Reserve balance at 31st March 2014 is £18.374 million.

2.2 Capital Plan 2013/14

The Capital Plan as reported to Council on 4th February 2014 allowed for investment of £16.466 million in the year. The budget has been revised to £15.514 million to reflect slippage in the following projects and is detailed in Appendix 2:-

- Phase 2 of the New Social Housing Programme;
- Environmental Works at McNeill Terrace;
- The Upgrade of Central Heating systems;
- The Kitchen Replacement Programme;
- Scottish Housing Quality Standard (SHQS) Repairs.

Offset by acceleration of:-

- Phase 1 of the New Social Housing Programme;
- The Sanitary Ware Replacement project.

Spend for the year to 31st March 2014 was £16.104 million, resulting in an overspend of £0.590 million against budget and is detailed in appendix 2.

The material variances and reason for the change from Quarter 3 can be broken down as follows:-

- At quarter 3 it was reported that the Kitchen Replacement programme had been completed, however there have since been other properties identified that were previously inaccessible, this will use up the previously reported underspend of £0.632 million;
- Demand and the resulting cost of Aids and Adaptation works has increased the overspend by £0.168 million to £0.339 million.

Consequently the requirement to borrow to fund Capital Expenditure increased by £0.045 million from that reported at Quarter 3 to £13.434 million.

2.3 Capital Plan 2014/15 - 2016/17

The capital plan has been updated to reflect the revisions from 2013/14 and also the carry forward of McNeill Terrace as reported in quarter 3 and is detailed in Appendix 3. A fuller review of the Capital Plan to reflect Phase 2 of the new build programme, other potential investment plans and the implications of Newbyres Crescent will be completed over the summer and reported to Council later in the year.

3 Report Implications

3.1 Resource

There are no direct resource implications arising from this report.

3.2 Risk

The principal risks are around the issue of affordability, ensuring that the investment in new build and the existing stock can be made without having to impose unacceptable increases on weekly rents. Whilst the HRA reserve balance is £18.375 million at 31 March 2014, the longer term financial projections demonstrate that the majority of this will be required to finance existing investment commitments.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☒ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

3.4 Impact on Performance and Outcomes

This report links to the Corporate Priority 1a. "Provide quality, affordable housing including increasing homelessness accommodation".

3.5 Adopting a Preventative Approach

There are no issues arising directly from this report.

3.6 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

3.7 Ensuring Equalities

There are no equality issues arising directly from this report.

3.8 Supporting Sustainable Development

There are no sustainability issues arising directly from this report.

3.9 IT Issues

There are no IT issues arising directly from this report.

4 Summary

The summarised financial performance for 2013/14 is:

- A net underspend of £0.641 million on the Revenue Account;
- The HRA reserve at 31st March 2014 is £18.374 million;
- Capital investment in the year totalled £16.104 million.

5 Recommendations

Council is recommended to:-

1. Note the Final Outturn on the capital plan and revenue budget for 2013/14;
2. Approve the capital plan for 2014/15 to 2016/17 as detailed in Appendix 3.

Date 26th May 2014

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Background Papers: HRA Capital Plan and Revenue Budget

Declaration Box

Instructions: This box must be completed by the author of the report. The box will be copied and saved by the Council Secretariat who will delete it from the report prior to photocopying the agenda.

Title of Report: Housing Revenue Account Final Outturn 2012/13 and Capital Plan 2013/14 – 2015/16

Meeting Presented to: Midlothian Council

Author of Report: Gary Fairley, Head of Finance and Human Resources

I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

- ☒ *All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Integrated Service Support.*
- ☒ *All risk implications have been addressed.*
- ☒ *All other report implications have been addressed.*
- ☒ *My Director has endorsed the report for submission to the Council Secretariat.*

For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.

Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.