

Housing Revenue Account Revenue Budget and Capital Plan 2017/18

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 a summary of expenditure and income to 29th September 2017 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2017/18.

2 Background

2.1 Capital Plan 2017/18

The Capital Plan Budget has been revised to reflect the current rephasing of the New Social Housing projects between years as shown in Appendix 1 and there are no material variances to be reported at this stage.

2.2 Revenue Account 2017/18

The underspend reported to Council on the 29th August 17 was £0.973 million. This has increased by £0.308 million to £1.281 million, as shown in Appendix 2, due to:-

- A reduction in the HRA insurance provision for claims and insurance recoveries for fire damage to properties of £0.106 million;
- Debt charges have decreased by £0.205 million due to slippage of Capital Plan expenditure for Phase 2 of New Social Housing as mentioned in section 2.1 of this report.

The HRA reserve balance is projected to be £34.665 million at 31st March 2018. The longer term financial projections demonstrate that the majority of this will be required to finance existing investment commitments to 2031/32. However a more comprehensive review of the model is underway and will be reported to Council in December.

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.

The full implementation of Universal Credit this financial year has seen an increase in the level of rent arrears and whilst assumptions have been made in the financial model, based on other Local Authorities experience, there is a risk that arrears may be higher than anticipated resulting in a greater decrease in the level of reserves. This will continue to be monitored closely and any financial implications identified will be assessed and reported accordingly.

Whilst the HRA reserve balance is projected to be £34.665 million at 31 March 2018, 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 from this report.

3.9 IT Issues

There are no IT issues arising directly from this report.

4 Summary

The summarised projected financial performance for 2017/18 is:

- Capital Expenditure of £16.834 million;
- A net underspend of £1.281 million on the Revenue Account;
- The HRA reserve at 31st March 2018 is projected of £34.665 million.

5 Recommendations

Council is recommended to note the contents of this report.

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Background Papers: HRA Capital Plan and Revenue Budget