

**Housing Revenue Account
Revenue Budget 2018/19-2019/20 and Capital Plan 2018/19-2023/24****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 21st December 2018 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2018/19;
- An update on the Revenue Budget for 2019/20;
- An Update on the Capital Plan for 2019/20-2023/24.

2 Background**2.1 Capital Plan 2018/19**

The Capital Plan reported to Council on 13th November 2018 allowed for investment of £15.803 million in 2018/19. Delays in the tendering process and various remediation works for Phase 2 and Phase 3 of New Social Housing means investment now required is £14.738 million, as shown in appendix 1.

The Capital Plan Budget has been revised to reflect the current profile of spend and there are no material variances to be reported at this stage.

2.2 Revenue Account 2018/19

The underspend reported to Council on the 13th November 2018 was £0.259 million. This underspend is now £0.311 million, as shown in Appendix 2. The increase is mainly due to:-

- Reactive repairs which have continued to decrease due to continuing capital investment works resulting in an increase in the underspend of £0.131 million;
- A reduction in the Central Administration charge which now reflects approved budget savings in the General Fund resulting in an underspend of £0.156 million;

Offset by:-

- Revising the method of calculation for irrecoverable rents due to Universal Credit resulting in an increase of £0.220 million.

The HRA reserve balance is projected to be £38.659 million at 31st March 2019. The longer term financial projections demonstrate that

the majority of this will be required to finance existing investment commitments to 2033/34.

2.3 Capital Plan 2019/20-2023/24

The Housing Revenue Account Capital Plan, approved on 13th February 2018 allowed for investment of £213.380 million for Phase 2 to Phase 4 of New Social Housing including the Newbyres Crescent rebuild. Spend to 31st March 2018 is £42.171 million and projected spend for 2019/20 to 2023/24 is £165.524 million.

The approved 3% rent increase per annum for 2019/20 – 2021/22 and the longer term assumption of 2% continues to support current investment in New Social Housing and also in existing stock as well as £6 million investment in Temporary Accommodation and £10 million for Environmental and Fire Safety improvements with reserves falling to a contingent level of £2.083 million in 2033/34.

The HRA Capital Plan is detailed in appendix 3 and has been amended to reflect the latest estimated costs of ongoing and planned projects. There are no material changes to these.

2.4 Revenue Expenditure

The HRA revenue model has been updated and projected forward to 2033/34 and reflects the revised Capital plan as well as the following key assumptions:

- The borrowing cost of the capital investment detailed in appendix 1 together with estimated investment in existing properties over the remaining years of the projection;
- The impact on rental income stream as a result of the implementation of Universal Credit;
- Projected provision for inflation over future years as per GDP Deflator and BCI Tender Prices Index;
- The longer-term requirement that the rents for new build properties will converge with that of the existing stock.

These together with a number of other minor adjustments to the previous financial projections confirm that the HRA can support the existing investment plans.

The revised revenue budget for 2019/20 is detailed in appendix 4.

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 projected to be £38.659 million at 31 March 2019, 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 2018/19 is:

- Capital Expenditure of £14.738 million;
- A net underspend of £0.311 million on the Revenue Account;
- The HRA reserve at 31st March 2019 is projected of £38.659 million.

The HRA Capital Plan 2019/20-2023/24 provides for

- £165.524 million for Phases 2-4 of New Social Housing ;
- £61.324 million for investment in existing stock and provision of temporary accommodation.

The Revenue Budget reflects

- An update of the Financial model;
- A projected HRA reserve of £43.111 million at 31st March 2020, which will be required to finance the majority of the existing investment commitment and is projected to reduce to £2.083 million at 31st March 2034.

5 Recommendations

Council is recommended to note the contents of this report.

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Background Papers: HRA Capital Plan and Revenue Budget