

**Housing Revenue Account
Revenue Budget and Capital Plan 2015/16****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 18th December 2015 for the Capital Plan and a projected outturn for both the Housing Revenue Account and Capital Plan for 2015/16.

2 Background**2.1 Revenue Account 2015/16**

The underspend reported to Council on the 3rd November 15 was £0.497 million. This has increased by £0.348 million to £0.845 million, as shown in Appendix 1, and is due to:-

- Lower demand for reactive repairs due to continuous capital investment in existing stock will result in a projected underspend on repairs of £0.341 million;
- Pentland and Midfield House is now anticipated to open during 2016/17, the previously reported saving of £0.387 million at quarter 2 will now increase by £0.061 million to £0.448 million.
- The underspend on borrowing costs has increased by £0.049 million to £0.165 million due to rephasing of Capital expenditure and lower than forecast interest rates;
- Insurance claims in relation to three minor fire incidents will result in an overspend of £0.085 million.

The HRA reserve balance is projected to be £24.520 million at 31st March 2016. The longer term financial projections demonstrate that the majority of this will be required to finance existing investment commitments to 2029/30.

2.2 Capital Plan 2015/16

The revision of the Capital Plan reported to Council on 22nd September 2015 allowed for investment of £27.842 million in 2015/16 as shown in Appendix 2. £12.439 million will be required to be carried forward to 2016/17 due to:-

- Contaminated land issues and necessary remediation works on New Social Housing Phase 2 sites have resulted in delays within the programme and will result in slippage of £4.874 million;

- Difficulties in gaining access to a number of properties to carry out works will result in slippage of the Sanitary Ware Replacement Programme of £3.861 million;
- General slippage in the SHQS Repairs Programme and Upgrades of Central Heating Systems of £2.308 million and £0.903 million respectively;
- Pentland and Midfield House refurbishment works will not commence until the new financial year due to delays in obtaining House in Multiple Occupation Licences for the properties, therefore a carry forward will be required of £0.320 million and £0.040 million for the works respectively;
- Properties that previously declined Kitchen Replacements will now be revisited this will require a carry forward of £0.133 million.

There were no material variances reported to Council 3rd November 2015, however it is now anticipated that there will be an underspend of £0.868 million against the revised budget of £15.403 million due to:-

- A fall in the number of Mortgage to Rent cases being presented resulting in a projected underspend of £0.745 million offset by a reduction in subsidy received of £0.394 million;
- The backlog of properties requiring Aids and Adaptations has reduced significantly resulting in a projected underspend of £0.123 million;
- Earlier than anticipated receipt of Affordable Housing Contribution from Scottish Government of £0.820 million;
- An increase in the level of developer contributions received for Wester Cowden of £0.507million.

The variations on capital expenditure and receipts including carry forwards will result in a reduction of borrowing required of £1.801 million for 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 projected to be £24.520 million at 31 March 2016, 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 financial performance for 2015/16 is:

- Capital Expenditure is anticipated to be £14.535 million for the year with a projected underspend of £0.868 million;
- A net undersend of £0.845 million is projected on the Revenue Account;
- The HRA reserve at 31st March 2016 is projected to be £24.520 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