Midlothian

Midlothian Council
26th June 2018

Housing Revenue Account
Revenue and Capital Final Outturn 2017/18 and Capital Plan 2018/19 - 2022/23

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 2017/18 for both the Housing Revenue Account (HRA) Capital Plan and the Revenue Account;
- A revised capital plan for 2018/19 to 2022/23 reflecting the carry forwards from 2017/18.

2 Background

2.1 Capital Plan 2017/18

The Capital Plan reported to Council on 13th February 2018 allowed for investment of £12.722 million in 2017/18. A carry forward of £2.053 million to 2018/19 will be required, as shown in Appendix 1 due to:-

- Delays in the tendering process and various remediation works of £2.100 million for Phase 2 of New Social Housing;
- Continuing Solar Panel Investigation works for Phase 1 New Social Housing of £0.102 million;
- General slippage in New Social Housing Phase 3 of £0.076 million.

Offset by:-

- General acceleration of Central Heating Systems upgrades, SHQS repairs and Buybacks resulting in budget to be brought forward from 2018/19 of £0.066 million, £0.151 million and £0.007 million respectively.

There is an underspend of £0.096 million against the revised budget of £10.668 million, as shown in Appendix 1, due to:-

- Mortgage to Rent Cases not proceeding resulting in an underspend of £0.134 million offset by a reduction in the subsidy received of £0.064 million;
- Additional Scottish Government subsidy received for Phase 2 New Social Housing Sites of £0.177 million;

- A reduction in Council Tax income received on Second Homes. The drop from previous years is likely to be due to the introduction of the levy on long term empty properties.

The variations explained above result in a reduction in borrowing against the budget of £5.714 million of £0.135 million for the year.

2.2 Revenue Account 2017/18

The underspend reported to Council on the 13th February 2018 was £1.591 million. This has reduced by £1.076 million to £0.515 million, as shown in Appendix 2. This is primarily due to:-

- Revision of the methodology for apportioning interest costs associated with external borrowing between the General Fund and HRA has resulted in a higher interest charge to the HRA which now exceeds budget by £0.623 million.

  External Advice from the Council's Treasury Consultants recommend that the Council consider revising the methodology used to apportion interest costs associated with borrowing. The rationale for this was founded upon the relative certainty of the HRA Capital Plan compared to the General Services Capital Plan and longer term borrowing decisions that have been made in line with this.

- Rent arrears were higher than anticipated due to Universal Credit therefore the increase in the provision for bad and doubtful debts is £0.284 million higher than originally expected.

Offset by

- Lower demand for High Value repairs due to continuing SHQS investment in existing housing Stock resulting in an underspend of £0.828 million, which is an increase of £0.321 million from Quarter 3.

The HRA reserve balance is £33.862 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.

2.3 Capital Plan 2018/19 – 2022/23

The capital plan has been updated to reflect the carry forwards from 2017/18 and is detailed in Appendix 3. A fuller review of the Capital Plan and other potential investment plans 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 £33.862 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 financial performance for 2017/18 is:

- Capital Investment in the year totalling £10.572 million;
- A net underspend of £0.515 million on the Revenue Account;
- An HRA reserve at 31st March 2018 of £33.862 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