

**Housing Revenue Account
Revenue Account and Capital Plan 2013/14****Report by Gary Fairley, Head of Finance and Human Resources****1 Purpose of Report**

The purpose of this report is to provide Council with a summary of expenditure and income to 2nd August 2013 for the Capital Plan and a projected outturn for both the Capital Plan and Revenue Account.

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

The 2013/14 budget was initially agreed by Council 6th November 2012 with a surplus of £1.239 million and a projected HRA reserve balance of £13.021 million. Efficiency savings in the repairs budget as a result of mobile working, revision of the loan charges budget and budget carry forward for Bonnyrigg District Heating Scheme has resulted in a revised budget surplus of £2.780 million.

The projected outturn for 2013/14 shows an overspend of £0.383 million as shown in appendix 1, resulting in a projected surplus of £2.397 million for the year. Material variances are as follows:-

- Scottish Housing Quality Standard (SHQS) investment within existing stock has led to a decrease in the level of demand for reactive repairs resulting in a projected underspend of £0.200 million;
- Welfare reform and the introduction of the under occupancy charge has had an effect on the void and irrecoverable levels, this will result in a projected overspend within other expenses of £0.529 million.

The £2.397 million projected surplus will increase the reserve to £17.070 million.

2.2 Capital Plan 2013/14

The latest approved Capital Plan by Council on 25th June 2013 allows for investment of £14.249 million in the year of which £4.453 million has been spent to 2nd August 2013. Actual spend for the year is projected to be £17.016 million and is detailed in appendix 2.

The projected net overspend for 2013/14 is £2.767 million which arises from:-

- There are a number of Scottish Housing Quality Standard (SHQS) projects underway, a full breakdown of the budgets for these projects is provided in appendix 2.
 - Delays in the sanitary ware replacement programme resulting in an underspend of £0.464 million;
 - The SHQS repairs are projected to be £3.985 million overspent due to expenditure being brought forward from future years for Smoke Alarm Replacement Programme and other SHQS Capital works.
- There has been an increase in cost of disabled adapted bathrooms resulting in a projected overspend of £0.118 million.

This is offset by:-

- Delays in agreement for additional sites for New Social Housing Phase 2 will result in a projected underspend of £0.904 million for the year.

There are also variations in Capital Receipts:-

- The Council have been awarded further funding from Scottish Government for Incentivising New Build for Phase 2 of our New Social Housing Programme, this will result in an additional grant income £0.104 million;
- A decrease in the average value of Right to Buy properties and a decrease in the number of sales due to the current economic climate will result in reduction of income of £0.550 million.

The variations on capital expenditure and receipts mentioned above has resulted in a requirement of £15.008 million of borrowing, which is £3.225 million more than budgeted for. The impact of this is reflected in the HRA revenue account position.

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 £17.070 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:

- Capital Expenditure to 2nd August 2013 was £4.453 million and is anticipated to be £17.016 million for the year;
- A net overspend of £0.383 million is projected on the Revenue Account;
- The HRA reserve at 31st March 2014 is projected to be £17.070 million.

5 Recommendations

Council is recommended to note the contents of this report.

Date 12th August 2013

Report Contact:

Name Lisa Young Tel No 0131-271-3111

lisa.young@midlothian.gov.uk

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 Human Resources.*
- ☒ *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.