

**Housing Revenue Account
Revenue and Capital Final Outturn 2018/19 and Capital Plan 2019/20 -
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:-

- The final outturn position for 2018/19 for both the Housing Revenue Account (HRA) Capital Plan and the Revenue Account;
- A revised capital plan for 2019/20 to 2023/24 reflecting the carry forwards from 2018/19.

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

The Capital Plan reported to Council on 12th February 2019 allowed for investment of £14.738 million in 2018/19. Budget of £0.057 million will require to be brought forward from 2019/20, as shown in Appendix 1 due to:-

- Delays in the tendering process and various remediation works of £0.856 million for Phase 2 of New Social Housing;
- Continuing Solar Panel Investigation works for Phase 1 New Social Housing of £0.102 million;
- Slippage in the Central Heating programme of £0.567 million due to concerns of the Contractors going into Administration;
- Structural issues at Jarnac Court have caused slippage on the refurbishment of the building of £0.091 million;
- General slippage on the buy backs project of £0.074 million.

Offset by:-

- General acceleration of New Social Housing Phase 3 and SHQS repairs resulting in budget to be brought forward from 2019/20 of £0.996 million and £0.751 million respectively.

There is an underspend of £0.077 million against the revised budget of £14.795 million, as shown in Appendix 1, due to slightly lower demand for disabled adaptations.

The variations explained above result in a reduction in borrowing against the budget of £3.632 million of £0.068 million for the year.

2.2 Revenue Account 2018/19

The projected underspend reported to Council on the 12th February 2019 was £0.311 million. This has increased by £0.514 million to £0.824 million, as shown in Appendix 2. This is primarily due to:-

- Higher demand of reactive repairs relating to prior years SHQS works on kitchens of £0.150 million;
- The court of appeal made an award of expenses in favour of Bracewell Stirling following the Court Action of recovery of costs relating to Newbyres resulting in legal fees being overspent by £0.154 million.

Offset by

- Lower debt charges of £0.112 million due to earlier receipt of Scottish Government Grant for New Social Housing of £7.317 million;
- The level of Bad Debt write offs and also level of provision required was £0.660 million lower than anticipated due to Temporary Accommodation, previously on Universal Credit now being restated to Housing Benefit, thus reducing the level of outstanding debt.

There is a presentational matter of Service Charge income for Pentland House being charged to Rents, this will be dealt with when reviewing the Financial Model later in 2019.

The HRA reserve balance is £39.084 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 capital plan has been updated to reflect the cross year movements from 2018/19 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 £39.084 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 financial performance for 2018/19 is:

- Capital Investment in the year totalling £14.718 million;
- A net underspend of £0.824 million on the Revenue Account;
- An HRA reserve at 31st March 2019 of £39.084 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