

**Housing Revenue Account
Revenue Budget and Capital Plan 2017/18****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 22th December 2017 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2017/18.

2 Background**2.1 Capital Plan 2017/18**

The Capital Plan Budget has been revised to reflect the current rephasing of the New Social Housing projects between years as shown in Appendix 1 and there are no material variances to be reported at this stage.

2.2 Revenue Account 2017/18

The underspend reported to Council on the 7th November 2017 was £1.281 million. This has increased by £0.310 million to £1.591 million, as shown in Appendix 2, due to:-

- The impact of Universal Credit on projected write-offs and provision required not being as high as anticipated. It is worth noting that this is still the first full year of Universal Credit implementation so the full impact may not yet be realised.

The HRA reserve balance is projected to be £34.938 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 as detailed in the Rent Setting Strategy 2019/20 – 2021/22 report elsewhere on the agenda.

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.

The full implementation of Universal Credit this financial year has seen an increase in the level of rent arrears and whilst assumptions have been made in the financial model, based on other Local Authorities experience, there is a risk that arrears may be higher than anticipated in future years resulting in a greater decrease in the level of reserves. This will continue to be monitored closely and any financial implications identified will be assessed and reported accordingly.

Whilst the HRA reserve balance is projected to be £34.938 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 projected financial performance for 2017/18 is:

- Capital Expenditure of £12.722 million;
- A net underspend of £1.591 million on the Revenue Account;
- The HRA reserve at 31st March 2018 is projected of £34.938 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