

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 4th October 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

Since the revision of the Revenue Budget reported to Council on 22nd September 2015 an underspend of £0.497 million is projected for 2015/16 which is shown in Appendix 2.

The underspend is primarily due to delays in the refurbishment of Pentland and Midfield House which will result in a saving of £0.387 million for Housing Support and Caretaker costs.

The cost of borrowing will also be reduced by £0.116 million due to:-

- Rephasing of Phase 2 New Social Housing Programme which has allowed deferral of long-term borrowing;
- Reduction in borrowing costs through lower than forecast interest rates;
- Increase in projected investment returns through utilisation of higher yield investment products, in accordance with the Investment strategy.

The HRA reserve balance is projected to be £24.172 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 1. There have been difficulties in gaining access to a number of properties to replace which will result in slippage of the Sanitary Ware Replacement Programme of £2.331 million to be carried forward to 2016/17.

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 £0.832 million to be carried forward to 2016/17.

At this stage there are no material variances to be reported for 2015/16.

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 £24.172 million at 31 March 2016, the longer term financial projections demonstrate that the majority of this will be required to finance existing investment commitments.

However affordability is heavily dependent on the future year's rents strategy, Council on 22nd February 2011 agreed a rent increase of 6% from 2011/12 to 2015/16 and the long term forecast incorporate in the model assumes rent increases in future years of 4%.

Proposals for a revised rental strategy is currently at consultation with tenants; the results will be presented to Council later in the year together with the implications of the options for future new build and investment in existing assets.

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 £24.679 million for the year;
- A net undersend of £0.497 million is projected on the Revenue Account;
- The HRA reserve at 31st March 2016 is projected to be £24.172 million.

5 Recommendations

Council is recommended to note the contents of this report.

Date 8th October 2015

Report Contact:

Name Lisa Young Tel No 0131-271-3111

lisa.young@midlothian.gov.uk

Background Papers: HRA Capital Plan and Revenue Budget