

**Housing Revenue Account
Revenue Budget and Capital Plan 2020/21**

Report by Gary Fairley, Chief Officer Corporate Solutions.

Report for Decision

1 Recommendations

Council is recommend to:-

- Approve a provision in the HRA Capital Plan of £16 million together with associated funding, as detailed in appendix C, to support the purchase of 100 off-market new build units in 2020/21;
- Approve the utilisation of £1.847 million from HRA to mitigate costs that cannot be charged to the capital account for SHQS Capital works;
- Otherwise Note the contents of this report.

2 Purpose of Report/Executive Summary

The purpose of this report is to provide Council with a summary of expenditure and income to 6th July 2020 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2020/21.

The summarised financial performance for 2020/21 is:

- Capital Investment in the year totalling £62.288 million;
- A net underspend of £2.007 million on the Revenue Account;
- An reduction in the projected HRA reserve at 31st March 2021 of £6.151 million.

Date 11th August 2020

Report Contact:

Name Lisa Young Tel No 0131-271-3111

lisa.young@midlothian.gov.uk

3 Background

3.1.1 Capital Plan 2020/21

The capital plan provides for significant investment over the remainder of the financial year which will contribute to economic recovery and specifically support both the housing and construction sectors.

An evaluation of the funding to support the purchase of properties from developers (as previously approved by Council) to address housing need and support economic recovery has determined that, in the current financial climate, it is preferable to utilise HRA funds directly rather than financing through additional prudential borrowing. This in part reflects the lower returns available for investment and that PWLB borrowing rates remain at historic lows. After incorporating an element of Scottish Government grant support it is anticipated that the purchase of 100 new build units in 2020/21 will require a net investment of £10.300 million;

As a result of COVID 19 and in accordance with the Accounting Code of Practice costs which would have been charged by Building Maintenance to the HRA capital account in respect of the SHQS works cannot be accounted for as capital expenditure. Accordingly to mitigate the impact on the General Fund the utilisation of £1.847 million is recommended;

The Capital Plan Budget has been revised to reflect the current profile of spend as shown in appendix 1. There are no current Mortgage to Rent Cases resulting in an underspend of £0.224 million, offset by Government subsidy of £0.114 million.

3.2 Revenue Account 2020/21

For 2020/21 there is currently a projected underspend of £2.007 million against budget, as shown in appendix 2. This is due to:-

- The costs to support the upgrade of the Capital Housing System of £0.284 million also reported to Council as a separate item on today's agenda;
- An increase in agency procurement staff costs to support the delivery of the capital and revenue works programmes resulting in unbudgeted costs of £0.086 million.

Offset by:-

- Re-phasing of the Capital Plan due to both general and COVID-19 delay's which will result in lower debt charges of £2.002 million;
- Re-profile of Housing Stock in line with Housing Update Cost report resulting in higher level of rental income received against budget of £0.353 million.

The HRA reserve balance is therefore projected decrease by £6.151 million during the year . The longer-term financial projections

demonstrate that the majority of the HRA reserve will be required to finance existing investment commitments to 2035/36. However a more comprehensive review of the long term HRA financial strategy is underway and will be 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 Digital

There are no direct digital implications arising from this report.

3.3 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. This is mitigated by the adoption of a long term financial strategy and modelling which demonstrates that existing investment commitments are sustainable.

3.4 Ensuring Equalities

There are no equality issues arising directly from this report.

3.5 Additional Resource Implications

See Appendix A.

Appendices

Appendix A – Additional Resource Implications

Appendix B – Background Information

Appendix C - Capital Plan 2020/21

Appendix D – Revenue Account 2020/21

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Not applicable

A.2 Key Drivers for Change

Key drivers addressed in this report:

- ☒ Holistic Working
- ☐ Hub and Spoke
- ☒ Modern
- ☒ Sustainable
- ☐ Transformational
- ☒ Preventative
- ☒ Asset-based
- ☒ Continuous Improvement
- ☒ One size fits one
- ☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- ☒ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☒ Efficient and Modern
- ☒ Innovative and Ambitious
- ☐ None of the above

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value.

A.5 Involving Communities and Other Stakeholders

The report does not directly relate to involving communities.

A.6 Impact on Performance and Outcomes

The report does not directly impact on Midlothian Council's performance and outcomes.

A.7 Adopting a Preventative Approach

The report does not directly relate to adopting a preventative approach.

A.8 Supporting Sustainable Development

The report does not directly relate to supporting sustainable development.

APPENDIX B

Background Papers/Resource Links

HRA Capital Plan and Revenue Budget enclosed