



**Housing Revenue Account
Revenue Budget and Capital Plan 2023/24**

Report by David Gladwin, Acting Chief Financial Officer

Report for Information

1 Recommendations

Council is recommended to 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 7th July 2023 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2023/24.

The summarised financial performance for 2023/24 is:

- Capital Investment in the year totalling £61.622 million;
- A projected net overspend of £0.166 million on the Revenue Account;
- A projected HRA general reserve at 31st March 2022 of £34.619 million.

Date 01th August 2023

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3 Background

3.1.1 Capital Plan 2023/24

The Capital Plan Budget has been revised to reflect the current profile of spend as shown in Appendix C. Capital investment in the year is projected to be £61.622 million and there are currently no material variances to be reported.

The construction industry in Scotland and the UK is currently experiencing unprecedented adverse market conditions, which is leading to significant rises in tender prices for a wide range of materials. There is evidence that inflation of between 10% and 15% beyond BCIS predictions is affecting projects and whilst measures such as value engineering are partially mitigating cost increase there is a risk that the capital budgets provided for delivery of the New Social Housing project will need to be increased with a resultant impact on the funding strategy.

3.2 Revenue Account 2023/24

For 2023/24 there is currently a projected underspend of £0.166 million against budget, as shown in appendix D.

The most up-to-date version of the New Social Housing delivery plan gives rise to the following projected areas of variance from the approved budget:-

- Lower in-year borrowing costs of £0.337 million; and
- Reduced rental income of £0.313 million.

Other reported pressures against budget are:-

- A lower than budgeted recharge of £0.239 million to HRA for land services as a consequence of a review of recharging methodology against good practice;
- An increase in insurance premiums of £0.139 million; and
- Ongoing works required to bring properties, including more complex void properties, to an appropriate condition to let. This gives rise to a projected overspend in general repairs of £0.208 million.

The HRA general reserve balance is projected to be £34.619 million at 31st March 2024, which is committed to finance existing investment commitments to 2038/39.

4 Report Implications

4.1 Resource

There are no direct resource implications arising from this report.

4.2 Digital

There are no direct digital implications arising from this report.

4.3 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.

There is also the risk of capital spend being lower than projected due to delays on projects, particularly in the current climate, this could result in lower debt charges causing the Housing Revenue Account Reserve balance to increase more than projected.

4.4 Ensuring Equalities

There are no equality issues arising directly from this report.

4.5 Additional Resource Implications

See Appendix A.

Appendices

Appendix A – Additional Resource Implications

Appendix B - Capital Plan 2023/24

Appendix C – Revenue Account 2023/24

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.