

**Housing Revenue Account
Revenue Budget and Capital Plan 2022/23**

Report by Gary Fairley, Chief Officer Corporate Solutions.

Report for Noting

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 4th July 2022 for the Capital Plan and a projected outturn for both the Housing Revenue Account (HRA) and Capital Plan for 2022/23.

The summarised financial performance for 2022/23 is:

- Capital Investment in the year totalling £67.566 million;
- A net overspend of £0.294 million on the Revenue Account;
- A projected HRA general reserve at 31st March 2022 of £31.819 million.

Date 28th July 2022

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3 Background

3.1.1 Capital Plan 2022/23

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 £67.566 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. The situation is currently being monitored and reviewed and an update will be provided to Council when the value of the impact has been determined.

3.2 Revenue Account 2022/23

For 2022/23 there is currently a projected overspend of £0.294 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 £1.129 million; and
- Reduced rental income of £0.807 million.

Other reported pressures against budget are:-

- A projected increase in the provision for and subsequent write-off of rent related debt of £0.288 million. This is due to a projected drop in collection levels as a result of the pandemic;
- An increase in the number of buybacks and works required to bring properties up to standard as well as works on more complex void properties will result in an overspend in general repairs of £0.356 million.

The HRA general reserve balance is projected to be £31.819 million at 31st March 2023, which is committed to finance existing investment commitments to 2037/38.

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.

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.

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 2022/23

Appendix D – Revenue Account 2022/23

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