

**Housing Revenue Account  
Revenue and Capital Final Outturn 2023/24 and Capital Plan 2024/25 -  
2026/27****Report by David Gladwin, 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:-

- The final outturn position for 2023/24 for both the Housing Revenue Account (HRA) Capital Plan and the Revenue Account;
- A revised capital plan for 2024/25 to 2026/27 reflecting the cross-year budget movements and the latest capital plan delivery programmes.

The summarised financial performance for 2023/24 is:

- Capital Investment in the year totalling £50.412 million;
- A net overspend of £1.479 million on the Revenue Account;
- An HRA reserve at 31<sup>st</sup> March 2024 of £33.181 million, the majority of which is committed to finance investment in the new build programme.

**Date 24<sup>th</sup> May 2024****Report Contact:**

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### 3 Background

#### 3.1 Capital Plan 2023/24

The Capital Plan reported to Council on 27<sup>th</sup> February 2024 allowed for investment of £51.352 million in 2023/24. The capital plan has been updated and re-profiled in line with recent delivery programmes resulting in cross-year carry forwards of £0.972 million to 2024/25 from 2023/24, as shown in Appendix C to reflect:-

- The most up-to-date delivery programme for Phases 2-5 of the New Social Housing programme resulting in a requirement to carry forward budget to future years of £0.301 million. Scottish Government budget cuts for the provision of Affordable Housing Supply Programme subsidy, alongside some local programme delays, has resulted in subsidy of £4.408 million that was expected to be received in 2023/24 now projected to be received in future years;
- There were a lower number of gateway alarm systems installed in our housing stock than initially projected which has resulted in £0.351 million of Scottish Housing Quality Standard budget to be carried forward to 2024/25;
- Issues in relation to gaining access to properties and general slippage in the central heating replacement programme has resulted in £0.222 million to be carried forward to 2024/25;
- General non-material slippage and acceleration of other capital plan projects as shown in Appendix C of £0.098 million.

There were no material variances reported to Council on 27<sup>th</sup> February 2024, the final outturn position is showing a small underspend of £0.036 million against the revised budget of £50.448 million, as shown in Appendix C.

The variations explained above and the additional Net-zero grant monies from Scottish Government of £0.501 million have resulted in a decrease in borrowing against the budget of £44.203 million of £0.515 million for the year.

#### 3.2 Revenue Account 2023/24

The projected overspend reported to Council on the 27<sup>th</sup> February 2024 was £0.124 million. This has increased by £1.355 million to an overspend of £1.479 million, as shown in Appendix D, due to:

- In order to address SHQS indicators, sustain continual improvement in void turnaround times and response to an increase in dampness reports; and an improved service productivity and performance, with an 8% increase in jobs on 2022/23, additional expenditure of £0.707 has been necessary to address the growing housing stock condition;
- Historic energy bills that have been under review for void housing stock result in an unbudgeted cost of £0.141 million;

- An increase in levels of outstanding debt and an assessment of the collectability of this debt has resulted in an increase the provision for voids and irrecoverable rents of £0.375 million;
- The provision for new claims in relation to winter and fire damage has resulted in an increase in the insurance liability of £0.101 million;
- An increase in rechargeable costs in the General Fund have resulted in increased administration and management costs of £0.338 million within the Housing Revenue Account.

Offset by:-

- Lower overall borrowing requirements during 2023/24 and deferral of long-term borrowing until the latter part of the year, resulting in a reduction of debt costs of £0.282 million.

The HRA reserve balance is £33.181 million at 31<sup>st</sup> March 2024. The longer-term financial projections demonstrate that this will be required to finance existing investment commitments to 2038/39.

### **3.3 Capital Plan 2023/24 – 2027/28**

The capital plan has been updated to reflect cross year movements and current delivery programme which is detailed in Appendix E. A fuller review of the Capital Plan and other potential investment plans will be completed over the summer and reported to Council later in the year.

The level of future years Affordable Housing Supply Programme budget is still to be determined by Scottish Government resulting in an element of risk that the Phase 5 New Social Housing Programme will become unaffordable unless future rents are increased to support the investment. This risk has been somewhat negated by the recent announcement that projects can now be approved from future years budgets at a rate of 80% for 2025/26, 60% for 2026/27 and 40% from 2027/28 which helps to remove some degree of uncertainty and risk with regard to future funding for New Social Housing, although there will be some element of forward funding required for some of our housing sites in scope for Phase 5.

There is currently no budget available within the 2024/25 Scottish Government's Affordable Housing Supply Programme to subsidise the open market purchases in 2024/25, however there has been announcement by Scottish Government that there is potentially a fund of £40 million being made available which can be used to subsidise open market purchases hopefully resulting in receipt of some level of funding being received during 2024/25, although the level is still to be determined. The Housing Revenue can sustain a small number of purchases (approximately 6 units) during 2024/25 should no funding be received or can access future year open market purchase budgets in the HRA should a good value opportunity arise.

During recent time 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.

## **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.

Whilst the HRA reserve balance is £33.181 million at 31 March 2024, the longer-term financial projections demonstrate that the majority of this will be required to finance existing investment commitments.

### **4.4 Ensuring Equalities**

There are no equality issues arising directly from this report.

### **4.4 Additional Resource Implications**

See Appendix A.

## **Appendices**

Appendix A – Additional Resource Implications

Appendix B – Background Information

Appendix C - Capital Plan 2023/24

Appendix D – Revenue Account 2023/24

Appendix E – Capital Plan 2024/25-2026/27

## **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**

Not applicable

### **A.8 Supporting Sustainable Development**

Not applicable

**APPENDIX B**

**Background Papers/Resource Links (if applicable)**

HRA Capital Plan and Revenue Budget

**MIDLOTHIAN  
COUNCIL**

**Appendix C**

**HOUSING REVENUE ACCOUNT  
CAPITAL PLAN 2023/24**

	<b>Revised Budget 2023/24 £'000</b>	<b>Budget Carried Forward to 2024/25 £'000</b>	<b>Revised Budget 2023/24 £'000</b>	<b>Final Outturn £'000</b>	<b>Variation (Under)/Over £'000</b>
<b>FUNDING</b>					
Grants					
- Incentivising New Build	9,295	(4,408)	4,887	4,887	0
- Off Market Purchases Funding	1,248	0	1,248	1,248	0
- Social Housing Net- zero Funding	0	0	0	501	501
Council Tax on Second Homes	110	0	110	88	(22)
Borrowing Requirement	40,767	3,436	44,203	43,688	(515)
<b>TOTAL AVAILABLE FUNDING</b>	<b>51,420</b>	<b>(972)</b>	<b>50,448</b>	<b>50,412</b>	<b>(36)</b>

	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>APPROVED EXPENDITURE</b>					
New Build Houses					
Phase 2 - Phase 5 Backdated Developer Contribution	35,375	(301)	35,074	35,074	0
Off Market Purchases	875	(28)	847	847	0
Aids & Adaptations	4,141	0	4,141	4,141	0
Environmental Improvements	499	0	499	463	(36)
BDHS Meters	100	(87)	13	13	0
Homelessness - Temporary Accommodation Provision	20	(20)	0	0	0
Scottish Housing Quality Standard -Upgrade Central Heating Systems	67	(30)	37	37	0
-Energy Efficiency Standard for Social Housing (ESSH)	1,677	(222)	1,455	1,455	0
-SHQS Repairs	1,200	67	1,267	1,267	0
<b>TOTAL EXPENDITURE</b>	<b>7,466</b>	<b>(351)</b>	<b>7,115</b>	<b>7,115</b>	<b>0</b>
	<b>51,420</b>	<b>(972)</b>	<b>50,448</b>	<b>50,412</b>	<b>(36)</b>

## MIDLOTHIAN COUNCIL

## Appendix D

## HOUSING REVENUE ACCOUNT 2023/24

	Revised Budget	Final Outturn	Variation (Under)/Over
Average Number of Houses	7,636	7,448	(188)
	£'000	£'000	£'000
<b>Repairs and Maintenance</b>			
General Repairs	7,492	8,663	1,171
Decant/Compensation	65	55	(10)
Grounds Maintenance	832	588	(244)
	<b>8,389</b>	<b>9,306</b>	<b>917</b>
<b>Administration and Management</b>	5,433	5,771	338
<b>Loan Charges</b>	14,484	13,345	(1,139)
<b>Other Expenses</b>	2,808	3,702	894
<b>TOTAL EXPENDITURE</b>	<b>31,114</b>	<b>32,124</b>	<b>1,010</b>
<b>Rents</b>			
Houses	(32,819)	(32,322)	497
Garages	(647)	(652)	(5)
Others	(165)	(188)	(23)
<b>TOTAL RENTS</b>	<b>(33,631)</b>	<b>(33,162)</b>	<b>469</b>
<b>NET EXPENDITURE/(INCOME)</b>	<b>(2,517)</b>	<b>(1,038)</b>	<b>1,479</b>
<b><u>Movement in HRA Reserve</u></b>			
Opening HRA Reserve		(32,143)	
Enhancement during 2023/24 as above		(1,038)	
<b>Reserve earmarked to fund capital investment plans</b>		<b>(33,181)</b>	



## MIDLOTHIAN COUNCIL

HOUSING REVENUE ACCOUNT CAPITAL PLAN  
2024/25-2026/27

	Revised Budget 2024/25 £'000	Proposed Budget 2025/26 £'000	Proposed Budget 2026/27 £'000
<b>FUNDING</b>			
Grants			
- Affordable Housing Supply Programme Funding	7,287	5,506	11,086
- Off Market Purchases Funding	715	715	110
Council Tax on Second Homes	113	116	119
Borrowing Requirement	75,161	94,728	36,147
<b>TOTAL AVAILABLE FUNDING</b>	<b>83,276</b>	<b>101,065</b>	<b>47,462</b>

	£'000	£'000	£'000
<b>APPROVED EXPENDITURE</b>			
New Build Houses Phase 2 - Phase 5	51,714	68,748	29,293
Backdated Developer Contributions	724	1,000	1,000
Housing Led Town Centre Regeneration	10,000	10,000	0
Off Market Purchases	1,950	1,950	265
Aids & Adaptations	519	529	540
Bonnyrigg District Heating Scheme Meters	1,300	0	0
Homelessness - Temporary Accommodation Provision	30	0	0
Environmental Improvements	3,987	2,000	2,000
Scottish Housing Quality Standard			
-Upgrade Central Heating Systems	1,899	2,791	0
-Energy Efficiency Standard for Social Housing	6,378	10,573	10,890
-SHQS Upgrades	4,775	3,474	3,474
<b>TOTAL EXPENDITURE</b>	<b>83,276</b>	<b>101,065</b>	<b>47,462</b>