

**Housing Revenue Account
Revenue and Capital Final Outturn 2022/23 and Capital Plan 2023/24 -
2025/26**

Report by David Gladwin, Acting Chief Financial Officer

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:-

- The final outturn position for 2022/23 for both the Housing Revenue Account (HRA) Capital Plan and the Revenue Account;
- A revised capital plan for 2023/24 to 2025/26 reflecting the cross-year budget movements.

The summarised financial performance for 2022/23 is:

- Capital Investment in the year totalling £51.710 million;
- A net underspend of £0.245 million on the Revenue Account;
- An HRA reserve at 31st March 2023 of £32.142 million, the majority of which is committed to finance investment in the new build programme.

Date 1st June 2023

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3 Background

3.1 Capital Plan 2022/23

The Capital Plan reported to Council on 21st February 2023 allowed for investment of £41.331 million in 2022/23. The capital plan has been updated and re-profiled in line with recent delivery programmes resulting in cross-year movements of £10.422 million to 2022/23 from 2023/24, as shown in Appendix C to reflect:-

- The most up-to-date delivery programme for Phases 2-4 and Phase 5 of the New Social Housing programme resulting in a requirement to bring budget from future years of £5.891 million and £0.506 million, respectively into 2022/23. This has also resulted in earlier receipt of Scottish Government subsidy of £0.424 million;
- Market conditions have allowed for more buybacks to be purchased than initially projected for the year resulting in a requirement to bring budget forward from future years for both expenditure and Scottish Government subsidy of £1.084 million and £0.776 million, respectively;
- General acceleration of the Scottish Housing Quality Standard (SHQS) upgrade programme and Central Heating System Upgrades of £2.807 million and £0.135 million, respectively; and
- Backdated developer contributions being applied earlier than anticipated of £0.066 million.

Offset by:-

- £0.067 million to be carried forward for contingency works for the temporary accommodation unit at Jarnac Court.

There were no material variances reported to Council on 21st February 2023, the final outturn position is showing a small underspend £0.043 million against the revised budget of £51.753 million, as shown in Appendix C.

The variations explained above result in a decrease in borrowing against the budget of £41.835 million of £0.057 million for the year.

3.2 Revenue Account 2022/23

The projected overspend reported to Council on the 21st February 2023 was £0.103 million. This has decreased by £0.348 million to an underspend of £0.245 million, as shown in Appendix D, due to:

- Lower overall borrowing requirements during 2022/23 and higher than budgeted interest earned on short term deposits

due to the prolonged higher interest rate environment resulted in a reduction in debt charges of £0.415;

- Revision of general fund costs properly chargeable to HRA and also some favourable general fund variances thus reducing costs available to be recharged resulted in a lower recharge from the General Fund of £0.186 million; and
- An on-going review of the Land Services costs properly chargeable to the HRA resulted in an underspend of £0.200 million for the year.

Offset by:-

- A reduction in the use of temporary accommodation has resulted in less rent being received of £0.117 million. The turnaround of these properties has also resulted in an increase in the number of void repairs being carried out of £0.342 million.

The HRA reserve balance is £32.142 million at 31st March 2023. The longer-term financial projections demonstrate that this will be required to finance existing investment commitments to 2037/38.

3.3 Capital Plan 2022/23 – 2026/27

The capital plan has been updated to reflect cross year movements and 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 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 £32.142 million at 31 March 2023, 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.

4.5 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 E – Capital Plan 2023/24-2025/26

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