

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

Report by Gary Fairley, Chief Officer Corporate Solutions.

Report for Noting

1 Recommendations

Council is recommend 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 25th September 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 £24.583 million;
- A net underspend of £0.934 million against the revised budget on the Revenue Account;
- An increase in the projected HRA reserve at 31st March 2021 of £3.076 million.

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3. Background

3.1 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. Expenditure projections are based on a considerable amount of work taking place over the remainder of the financial year and the volume of this may be impacted upon by a range of external factors.

The Capital Plan Budget has been revised to reflect the current profile of spend as shown in appendix C. The underspend reported to Council 25th August was £0.224 million and the position remains the same for this quarter.

Also agreed at Council in August was utilisation of £10.300 million of HRA reserve to purchase 100 new build units. However, following discussions with private developers, it has emerged that units would not be made available for purchase this financial year and as such the financial provision will be carried forward to next financial year.

3.2 Revenue Account 2020/21

The underspend reported to Council on 25th August was £2.007 million, this has decreased by £1.073 million to £0.934 million, as shown in appendix D. This is due to:-

- A change in debt charges of £0.900 million as a consequence of significant revisions to Capital Expenditure projections for the year in both the General Fund and the HRA; and
- Re-phasing of the New Social Housing Programme and New Build Purchases, due to both general and COVID-19 delays, resulting in lower rental income received of £0.302 million.

The HRA reserve balance is projected to increase by £3.076 million during 2020/21 but will contain an earmarked element of £10.300 million as described in section 3.1 above. 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.

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.

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 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