

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

**Report by David Gladwin, Chief Financial Officer and Section 95 Officer**

### **Report for Decision**

#### **1 Recommendations**

Council is recommended to:

- a) Delegate to the Executive Director Place discretion to apply cross-year budget flexibility to pursue any additional buy-back purchase opportunities that offer best value; and
- b) 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 29<sup>th</sup> September 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 £54.366 million;
- A net underspend of £0.224 million on the Revenue Account;
- A projected HRA general reserve at 31<sup>st</sup> March 2022 of £35.009 million.

**Date 25<sup>th</sup> October 2023**

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### **3 Background**

#### **3.1 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 £54.366 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.

Council on 10<sup>th</sup> October 2023 agreed to pause the use of Passivhaus for non-contractually committed sites to allow time to better understand the costs involved and levels of improved energy efficiency. Members will be provided with data on this.

#### **3.2 Revenue Account 2023/24**

The overspend reported to Council 29<sup>th</sup> August 2023 was £0.166 million, this has decreased by £0.390 million to a projected underspend of £0.224 million against budget, as shown in appendix D.

This is mainly due to reflection of the most up-to-date version of the HRA capital plan including the New Social Housing Delivery plan giving rise to lower in-year borrowing costs of £0.363 million.

The cost of revenue repairs has increased from quarter 1 with further work underway to examine the relativity of contributory cost drivers for the Building Maintenance Service:

- Including travel time in the labour recovery rates;
- Whether SORs are recovering material costs as per invoiced amounts and are reflecting realistic standard minute value levels;
- If there is a delay in registering invoices on the system resulting in a disparity between income and expenditure.

Projections will be updated as work develops.

The HRA general reserve balance is projected to be £35.009 million at 31<sup>st</sup> 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.

HOUSING REVENUE ACCOUNT CAPITAL  
PLAN 2023/24

	Revised Budget 2023/24	Actuals to Date	Projected Outturn	Variation (Under)/Over
	£'000	£'000	£'000	£'000
<b>FUNDING</b>				
<b>Grants</b>				
- Incentivising New Build	12,224	2,089	12,224	0
- Buy Backs Funding	1,213	1,213	1,213	0
Council Tax on Second Homes	110	0	110	0
Borrowing Requirement	40,819	16,117	40,819	0
<b>TOTAL AVAILABLE FUNDING</b>	<b>54,366</b>	<b>19,419</b>	<b>54,366</b>	<b>0</b>
<b>APPROVED EXPENDITURE</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
New Build Houses Phase 2, Phase 3 & Phase 4	38,333	13,961	38,333	0
Backdated Additional Developer Contribution	875	0	875	0
Buy Backs	3,000	1,782	3,000	0
Aids & Adaptations	499	140	499	0
Environmental Improvements	1,000	13	1,000	0
BDHS Meters	20	0	20	0
Homelessness - Temporary Accommodation Provision	67	4	67	0
<b>Scottish Housing Quality Standard</b>				0
-Upgrade Central Heating Systems	1,677	490	1,677	0
-EESH 2	2,933	0	2,933	0
-SHQS Repairs	5,962	3,029	5,962	0
<b>TOTAL EXPENDITURE</b>	<b>54,366</b>	<b>19,419</b>	<b>54,366</b>	<b>0</b>

## MIDLOTHIAN COUNCIL

## Appendix C

## HOUSING REVENUE ACCOUNT 2023/24

			Revised Budget	Projected Outturn	Variation (Under)/Over
Average No of Houses			7,636	7,470	(166)
			£000's	£000's	£000's
Repairs and Maintenance					
	General Repairs		7,492	7,700	208
	Decant/Compensation		65	70	5
	Grounds Maintenance		891	652	(239)
			8,448	8,422	(26)
Administration and Management			5,433	5,433	0
Loan Charges			14,484	13,784	(700)
Other Expenses			3,028	3,219	191
<b>TOTAL EXPENDITURE</b>			<b>31,393</b>	<b>30,858</b>	<b>(535)</b>
Rents					
	Houses		32,819	32,506	313
	Garages		647	647	0
	Others		569	571	(2)
<b>TOTAL RENTS</b>			<b>34,035</b>	<b>33,724</b>	<b>311</b>
<b>NET EXPENDITURE/(INCOME)</b>			<b>(2,642)</b>	<b>(2,866)</b>	<b>(224)</b>
<b><u>Movement in HRA Reserve</u></b>					
<b>Opening HRA Reserve</b>				<b>(32,143)</b>	
<b>Enhancement during 2023/24 as above</b>				<b>(2,866)</b>	
<b>Reserve Earmarked to fund capital investment plans</b>				<b>(35,009)</b>	