

Section One – Housing Revenue Account Budget

Revised Budget 2020-21

1. During 2020-21, the Cabinet and Finance & Audit Committee (which provides the scrutiny function over budgetary control) have received three quarterly budget monitoring reports. Each Budget Monitoring report has included a summary of the known variances contributing to the projected year-end financial position of the authority.
2. 2020 was a year like no other as the Covid-19 pandemic spread rapidly around the world. The Government responded to rising cases in the UK by placing the country in lockdown on 23 March 2020. Many restrictions were introduced in a bid to stop the virus spreading, which had implication for the way services could be delivered to the Council's tenants. House viewings were prevented, resulting in properties which become void during lockdown were unable to be re-let. Tenants could no longer be evicted for the failure to pay rent, demand for repairs and maintenance dropped significantly and capital replacement programmes were halted.
3. Despite subsequent and current lockdown restrictions, demand for repairs and maintenance has increased to more normal levels but there remain challenges in certain areas such as maintaining servicing programmes. However, performance is still high in the Borough compared to other Kent Districts. Rent collection can be problematical as the financial implications of the pandemic continue to affect household budgets but the team are proactively engaging with tenants to assist as much as possible and signpost to agencies that can provide additional support.
4. The Budget Monitoring Report at the end of Quarter Three (period to 31 December 2020) indicates a projected and anticipated deficit for the year of £388,410, albeit income and expenditure variances in the last quarter of the year will impact on this figure.

Revenue Budget 2021-22

5. The Original Estimate for 2021-22 represents a balanced budget position, which has been achieved through drawing £296,960 from the HRA General Reserve as expenditure in the year is anticipated to exceed the income generated in the year. A draft budget book is attached at appendix 2a for Member information.

Description	Original Budget 2020-21 (£)	Projected Outturn 2020-21 (£)	Proposed Original Budget 2021-22 (£)
Supervision and Management	6,037,100	5,613,630	5,996,680
Repairs and Maintenance	8,022,810	7,693,810	7,812,020
Depreciation	6,888,800	7,015,300	6,948,300
Intensive Management Fund - Expenditure	662,300	662,300	589,080
Capital Finance	8,516,010	7,761,790	7,794,080
Sub Total Expenditure	30,127,020	28,746,830	29,140,160
Rents of Dwellings	(25,812,570)	(25,527,570)	(26,273,300)
Other Rental Income	(33,550)	(33,550)	(14,700)
Service Charges	(2,115,620)	(2,115,620)	(1,782,900)
Non Dwelling Income	(140,000)	(140,000)	(140,000)
Intensive Management Fund - Income	(521,480)	(521,480)	(521,680)
Other Income	(114,200)	(70,200)	(110,620)
Sub Total Income	(28,737,420)	(28,408,420)	(28,843,200)
Contributions to/(from) reserves	(1,389,600)	(338,410)	(296,960)
Net Surplus/Deficit	0	0	0

6. Working balances at the end of the year are estimated to remain at £3m, the minimum level of working balances for the HRA as determined by the Medium Term Financial Strategy.
7. The key factors considered when proposing the budget for 2021-22 are set out in the following sections.

Supervision and Management Costs

8. This includes all staffing costs associated with the provision of a housing management service and other running costs such as utilities, maintenance costs, insurance and central support services.

Employee Costs

9. As per the Spending Review announcements on public sector pay in November, the budget reflects no inflationary increase for 2021-22 with the exception of those earning less than £24k per annum (who will receive a pay increase of at least £250).
10. A budget of £200K has been provided to support a planned review and restructure of housing services during 2021-22.
11. Budgeted employee costs reflect the additional posts established by the council to allow the expansion of the Brookvale workforce, intended to bring more work completed by the Repairs and Maintenance Team in-house. Corresponding recharges to capital have been made where appropriate.

Repairs and Maintenance

12. Responsive Repairs to council dwellings are carried out in-house by the Operational Service team, enabling the council to have a strong influence over the design of the service. The internal workforce is set to expand in 2021-22 to further compliment the current service provided. As a result, the volume of work completed by the external contractors is expected to reduce during 2021-22. Having an internal work force brings many advantages such as the control and timeliness of works and efficiency savings. However, when required, works can also delivered by external contractors under contractual arrangements.
13. Budgeted spend represents an average spend per property in 2021-22 of £1,371.

Depreciation

14. Depreciation is a real charge to the HRA and is used to provide resources for capital investment in the council's housing stock. The depreciation charge in 2021-22 reflects the valuation of the council housing stock, and the recalculation of depreciation charges attributable to HRA non-current assets as anticipated at the end of the 2020-21.
15. An external revaluation of the council's housing stock is due to be undertaken in March 2021, post budget setting for 2021-22. This figure will not be available until after the budget has been set, therefore depreciation is based on the stock valuation as at 1 April 2020. Any variances will be reported through the quarterly monitoring process.

Intensive Housing Management Programme

16. The Intensive Management programme assists in delivering the council's commitment to provide housing-related support to vulnerable groups, enabling them to maintain their independence and remain in their home.
17. The budgeted expenditure for the Intensive Management programme in 2021-22 is £589,080. Funding of £418,000 for the programme is expected to be provided through Intensive Housing Management (IHM) charges to persons receiving the services, with a further £103,480 recovered directly from tenants with a view to moving towards full direct service cost recovery over the next five years. The indirect costs of the service are recovered via a service charge to tenants. As this charge is capped, it will result in a net cost to the HRA of £67,400 for 2021-22.

Capital Financing

18. In 2021-22 the Council is required to repay a loan of £7.184m, however the HRA cannot fully meet the loan repayment. The budget includes a provision to repay £4.918m requiring £2.375m to be refinanced. This is the first year since HRA self financed that the HRA is unable to meet the full loan repayment. This has been as a result of national policy changes such as those relating to the rent reduction policy, welfare reform act, right-to-buy and rent setting. The interest due on HRA loans is £2.331m.
19. The HRA makes a contribution of £48k towards the treasury management expenses incurred by the Council, which includes consultancy advice on investment and borrowings decisions affecting the HRA.
20. The amount of Revenue Contribution to Capital (RCCO) will fluctuate between year's dependent upon to level and structure of resources required to fund the new build & acquisition programme. In 2021-22, the council will be required to make a contribution from revenue of £497k for capital purposes.

Rent from Dwellings

21. Current government policy permits annual rent increases for both social and affordable rent properties up to CPI+1% from April 2020 for a period of at least 5 years. The Rent Standard issued by the Regulator of Social Housing in respect of 2021-22 confirmed that rents could increase by CPI+1% from 1 April 2021 (where CPI is measured at September 2020). Reference to the current rent standard can be found here: <https://www.gov.uk/government/publications/rent-standard/limit-on-annual-rent-increases-2021-22-from-april-2021>
22. Dwelling Rents for 2021-22 will increase by 1.5%. Dwelling Rent levels have been determined by the Assistant Director (Housing) and the Director (Corporate Services), in accordance with the Housing Act 1985 and under delegated authority as set out at Annex 1.13B.83 of the Constitution.
23. A 1.25% allowance has been made within the budget for an assumed level of rent loss due to void properties, based on actual void levels currently experienced.
24. Universal Credit was implemented in Gravesham in May 2018 and the impact on arrears continues to be carefully monitored as more cases are transferred. Based on monitoring and the level of rent arrears at the time of preparing the budget, a debt impairment provision of £281,000 has been estimated. A further provision of £250,000 to provide for the impact of COVID-19 will also be made.

25. Total expected income received in respect of rents from council dwellings has increased by £460,730 in comparison to the original 2020-21 budget.
26. The authority's average social rent will increase by £0.30, from £89.96 to £90.26 in 2021-22. The average affordable rent will increase to £159.86 (the average rent increase will not be exactly equal to 1.5% due to re-letting of void properties and additions of properties during the year).

Service Charges, Fees and other Charges

27. Service charges are levied on council dwellings to cover a range of services including caretaking services and maintenance of communal areas and communal assets, such as lifts and gardens. Service charges are generally eligible to be met by Housing Benefit, with the exception of charges to individual homes such as heating or lighting within a dwelling.
28. The average weekly service charge for 2021-22 will be £3.72 (currently £3.39). The capped service charge has been increased by 1.5% (based on CPI at September 2020 +1). Service charges for 2020-21 have been determined by the Assistant Director (Housing) and the Director (Corporate Services), in accordance with the Housing Act 1985 and under delegated authority as set out at Annex 1.13B.83 of the Constitution.
29. As the new Rent Standard applies to Local Authority rent increases in the same way as other social rented sector rents, there is no longer a need to apply a Rent Rebate Subsidy Limitation mechanism (RRSL) in England to ensure that Local Authority rent increases (the combined rent and service charge figure) do not exceed formula rents.

Other Income

30. The HRA receives income for a number of other sources, primarily as non-dwelling rent. This will include, but is not limited to, income from lettings and investment returns.

Potential risks to the HRA

- The impact of COVID-19 pandemic and related issues remains unknown and could affect budgeted outturn.
 - Increase in rent arrears due to Universal Credit
 - Increases in costs of capital
31. The last year has been challenging for the Housing Revenue Account and its tenants. Coronavirus has impacted on the way in which the council delivers its landlord services and many tenants have found themselves in financial difficulty. The council has proactively sought to assist tenants who have found themselves in a difficult financial position by asking them to contact the council, which could then make alternative repayment plans or direct tenants to other support they may be able to access. The council will continue to offer this support to its tenants in 2021-22 while continuing to make a distinction between those who cannot pay, and those who will not pay. The budget for 2021-22 reflects the potential effect of the pandemic on the rental income stream for the HRA and this will be reviewed during the course of the year with updates provided through quarterly budget monitoring arrangements.