

**Classification: Public**

**Key Decision: No**

## **Gravesham Borough Council**

**Report to:** Cabinet  
Finance & Audit Committee

**Date:** 1 February / 15 February 2021

**Reporting officer:** Director (Corporate Services)

**Subject:** Housing Revenue Account Budget Monitoring Report –  
Quarter Three 2020/21

### **Purpose and summary of report:**

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2020/21, including known variances agreed or identified through budgetary control activity.

To update Members on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, HRA Business Plan or Financial Statements.

### **Recommendations:**

This report is for information only.

#### **1. INTRODUCTION**

- 1.1. The Constitution of the council requires Members to receive reports in respect of the council's finances and financial performance. This report therefore provides an assessment of performance against approved budgets for the 2020/21 financial year for the third quarter to 31 December 2020 as well as updating Members on other key areas of financial performance.
- 1.2. The council continues to operate robust budgetary control actions to ensure good financial governance and respond to the pressures on the council's finances. In addition to the reporting of financial performance through regular budget monitoring reports, these actions include:
  - Requiring all financial decisions and major acquisitions to be brought to Management Team for discussion and approval;
  - Appropriate controls in approving purchase orders;
  - Requiring recruitment activity (relating to both permanent and temporary appointments, and including use of overtime) to be considered and approved by Management Team.

## **2. EXECUTIVE SUMMARY**

### **HRA (Revenue)**

- 2.1. At the end of Quarter Three, income and expenditure for the year remains balanced albeit there remains an anticipated contribution from reserves to fund projected revenue expenditure for the year. The main variances within the forecast position compared to the original budget is a decreased contribution requirement to support the capital programmes as a result in works being delayed due to Covid-19, a reduction in interest costs due to the delay in external borrowing, cost savings within repairs and maintenance and a projected underspend within salaries. These savings are offset by an anticipated reduction in rental income.
- 2.2. The level of Working Balances at year-end are projected to be £3.0m, the minimum level of Working Balances for the HRA. Movements in the year are projected to result in a net decrease in the General HRA Reserves of £338k, with the level of reserves being £3.03m at start of year and projected to be £2.69m at year-end.
- 2.3. The significant risk to the HRA's financial position continues to be the lack of clarity regarding funding and regulatory reform.

### **Housing Capital**

- 2.4. The revised budget for the Housing Capital Programme for the year is £22.4m, with expenditure and commitments to the end of Quarter Three of £10.4m. Capital budgets totalling £1.816m have been carried forward from 2019/20 to 2020/21, relating to the maintenance of the Council's housing stock, the New Build programme and the provision of Disabled Facilities Grants.

### 3. HOUSING REVENUE ACCOUNT

#### 3.1. Budget 2020/21

- 3.1.1. The table below sets out the current forecast spend against the original budget for the Housing Revenue Account (HRA), based on variances to 31 December 2020. As at 31 December 2020 the forecast reflects a net favourable variance to original budget of £1.051m. The reduction in funds required will reduce the contribution needed from general reserves.

Description	Original Budget 2020/21 (£)	Forecast 2020/21 (£)	Variation (£)
Supervision and Management	6,037,100	5,613,630	(423,470)
Repairs and Maintenance	8,022,810	7,693,810	(329,000)
Depreciation	6,888,800	7,015,300	126,500
Intensive Management Fund - Expenditure	662,300	662,300	0
Capital Finance	8,516,010	7,761,790	(754,220)
<b>Sub Total Expenditure</b>	<b>30,127,020</b>	<b>28,746,830</b>	<b>(1,380,190)</b>
Rents of Dwellings	(25,812,570)	(25,527,570)	285,000
Other Rental Income	(33,550)	(33,550)	0
Service Charges	(2,115,620)	(2,115,620)	0
Non Dwelling Income	(140,000)	(140,000)	0
Intensive Management Fund - Income	(521,480)	(521,480)	0
Other Income	(114,200)	(70,200)	44,000
<b>Sub Total Income</b>	<b>(28,737,420)</b>	<b>(28,408,420)</b>	<b>329,000</b>
<b>Contributions to/(from) reserves</b>	<b>(1,389,600)</b>	<b>(338,410)</b>	<b>1,051,190</b>
<b>Net Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 1: Housing Revenue Account 2020/21

#### 3.2. SUPERVISION & MANAGEMENT – £423k FAVOURABLE VARIANCE

- 3.2.1. **Vacancy Management: £497k favourable variance** – the HRA staffing budget for 2020/21 incorporates a vacancy allowance of £100k for the year. It is anticipated that this will occur throughout the establishment as a whole from natural staff turnover within day-to-day business activities, as well as posts held vacant pending the re-design of services. For the first nine months to 31 December 2020, actual staffing spend was £497k lower than budgeted.
- 3.2.2. **Staff Pay Award: £36k adverse variance** - the staff pay award for 2020/21 was agreed at a higher rate than budgeted and has resulted in an increased expense of £36k attributable to salaries.
- 3.2.3. **Capita Housing System: £38k adverse variance** - the current housing system, Capita, will be supported beyond the previously advised sunset date. The negotiated fee of £75k includes a premium for the service extension. Some of this cost can be met from the existing budget for software support (£37k), reducing the impact of the negotiated fee to an expected overspend of £38k. This will provide support to March 2021, enabling Housing Services to provide an uninterrupted service to tenants while the development and implementation of the new system is underway.

### 3.3. **REPAIRS & MAINTENANCE - £329k FAVOURABLE VARIANCE**

3.3.1. **Responsive Repairs - £320k favourable variance** - The Responsive Repairs Team, in line with Government guidance, carried out emergency works only in the first quarter of the financial year. Since July the team have worked tirelessly to respond to the outstanding repairs that were not deemed emergencies in the first lockdown period. In addition to this, the redeployment of staff from the capital programmes enabled a number of repairs to be completed in-house as an alternative to external contractors. In these challenging times, the team have also continued to deliver efficiencies and savings in its operations that have resulted in an expected favourable variance of £320k.

3.3.2. **External Decoration: £109k favourable variance** – There has been a saving on external decorations due to be carried out this year as a result of an in-depth review of the level of asbestos specific work which needed to be carried out. This has resulted in a favourable variance of £109k.

3.3.3. **Repairs & Maintenance - £100k adverse variance** – Scaffolding is required on some buildings in the Northfleet area following a mini tornado that hit in December 2020. GBC are liaising with the insurance company, Zurich, to identify any costs which will be eligible for recovery. Currently there is an expectation that there will be an adverse variance of £100k in the current year, however, any insurance pay-out maybe forthcoming in a future year.

### 3.4. **DEPRECIATION - £126k ADVERSE VARIANCE**

3.4.1. **Depreciation – £126k - adverse variance** – the depreciation budget for 2020/21 is based on the asset valuation as at December 2019. However, there is a revised depreciation charge for 2020/21 which reflects the higher HRA asset value as at 1 April 2020. This has resulted in an increased charge to depreciation of £126k.

### 3.5. **CAPITAL FINANCING - £754K FAVOURABLE VARIANCE**

3.5.1. **Contribution to Capital Programme - £627k – favourable variance** – due to the impact of Covid-19 and the delays to the capital programme of works, there is an anticipated reduction in the draw from the HRA General Reserve in 2020/21. This has resulted in a favourable variance of £627k.

3.5.2. **Interest Savings – £127k – favourable variance** – due to the delays in the new build programme, there will be a lower external borrowing requirement in 2020/21. This combined with a reduction in the Bank of England base rate, which has reduced the cost of borrowing, has resulted in a favourable variance of £127k against the original budget.

### 3.6. **RENTS ON DWELLINGS - £285k ADVERSE VARIANCE**

3.6.1. **Rents on Dwellings - £250k – adverse variance** – due to the impact of Covid-19, it is expected that there will be a negative impact on rental income in 2020/21. The rental income continues to be monitored and if required, an appropriate adjustment will be made to the bad debt provision. This variance has been reduced further in Quarter Three, from £300k in Quarter Two.

3.6.2. **Void losses - £35k – adverse variance** – during the initial lockdown period, Council properties that became vacant were not able to be re-let within the usual timescales, therefore during this period there was a loss of rental income which is estimated to be in the region of £35k.

### 3.7. OTHER INCOME - £44k ADVERSE VARIANCE

3.7.1. **Other Income – £44k - adverse variance** – as a result of Covid-19, commercial income, income for hall lettings and investment returns will be affected. At this stage, the impact is estimated to be in the region of some £44k.

### 3.8. Working Balances and Reserves

3.8.1. The variances outlined in this report have the following effect upon HRA working balances:

	£
Balance Brought Forward from 2019/20	3,000,000
Forecast Outturn position 2020/21	(338,410)
<b>Forecast working balances C/Fwd (as at 31 December 2020) including minimum HRA Working Balance</b>	<b>2,661,590</b>
Add: Transfer from HRA General Reserve (Revenue)	338,410
<b>Forecast Usable Working Balances C/fwd (as at 31 December 2020)</b>	<b>3,000,000</b>

Table 2: Effect on Housing Revenue Account Working Balances

3.8.2. The working balances are supplemented by specific reserves established to assist with future funding obligations or initiatives. The table below provides a summary of the forecast movements on these specific reserves during the year.

HRA Specific Reserves	Opening Balance 01/04/2020 (£)	Forecast Contributions (Income) (£)	Forecast Use of Reserve (Expenditure) (£)	Forecast Balance 31/03/2021 (£)
HRA General Reserve (Revenue)	(3,037,750)	0	338,410	(2,699,340)
<b>Total</b>	<b>(3,037,750)</b>	<b>0</b>	<b>338,410</b>	<b>(2,699,340)</b>

Table 3: Analysis of Specific Reserves – HRA

## 4. HOUSING CAPITAL PROGRAMME

4.1. The Housing Capital programme for 2020/21 is £22,366,960, of which £20,658,970 relates to HRA capital schemes and £1,707,990 relates to non-HRA capital schemes. These budgets include £941,660 and £875,190, respectively that are carried forward from 2019/20.

4.2. The HRA capital schemes continue to focus on maintaining the minimum decent homes standard for the Council's stock in 2020/21, with £7,330,110 earmarked for this purpose within the Replacement, Improvement, Health & Safety Works and Major Void Works Programmes. An additional £929,000 has been agreed including the replacement Housing Computer System, Fire Doors and Replacement Play Equipment programme. The council also continues its commitment to build new homes with £12,399,860 allocated for this purpose.

4.3. Quarter Three saw increased productivity as programmes became fully resourced following the re-commencement of the programmes in the previous quarter. Officers will monitor the impact of the current lockdown and any further restrictions closely as it could further impact the planned programmes.

HOUSING CAPITAL PROGRAMME				
Ref No:	Project	Original Budget 2020-21 inc CFwd (£)	Expenditure Including Commitments (£)	Balance Outstanding (£)
A	Replacement Programmes	4,122,450	2,400,140	(1,722,310)
B	Improvement Programmes	1,702,350	1,373,650	(328,700)
C	Health & Safety Works	1,305,310	1,019,140	(286,170)
D	Major Void Works	200,000	210,450	10,450
E	New Build & Acquisitions	12,399,860	4,592,550	(7,807,310)
F	Housing Computer Systems	600,000	404,710	(195,290)
G	Replacement Play Equipment	103,750	0	(103,750)
H	Bin Housing	13,190	0	(13,190)
I	CCTV	37,060	0	(37,060)
J	Fire Doors	175,000	0	(175,000)
	<b>Sub Total (HRA Capital Programme)</b>	20,658,970	10,000,640	(10,658,330)
K	Renovation Grants (DFG)	1,707,990	431,710	(1,276,280)
	<b>Total (HRA &amp; GF Capital Programme)</b>	22,366,960	10,432,350	(11,934,610)

Table 4: Housing Capital Programme 2020/21

4.4. The following works were undertaken or completed by the end of Quarter Three 2020/21:

4.4.1. **Replacement Programmes (Ref A)**

- 81 kitchen replacements on void properties and planned programme;
- 60 bathroom replacements on void properties and planned programme;
- 975 properties had electrical tests and/or remedial works including rewiring, minor works and upgrades to consumer units, 76% of the planned programme complete;
- 48 blocks have had communal electrical tests and/or remedial works completed, 100% of the blocks on the planned programmes have been completed;
- 13 properties and 3 blocks (Chantry Court, Dickens Court and Merston Court) have had roof renewals;
- Windows and door renewals to flats and the communal windows at Carl Ekman are 100% complete, 8 properties had windows and door renewals completed, and 51 flats have had windows and door renewals within the 5 blocks at Shepherd Street;
- Major works at the Fountain Walk site have commenced. Works comprise of roofing renewals to some blocks, window and door replacements to flats and communal areas and external refurbishment/decorations works, including the removal of external asbestos cladding and reinstatement with fire-rated cladding;

4.4.2. Across the Replacement Programmes, there is a saving of £300k as a direct result of the reduction to the cost of works associated with bringing the Electrical Programme in line with a five-year cycle and ensuring that statutory regulations are adhered to. In addition to the savings, a review of the current position given current restrictions projects that £550k will be rolled forward into 2021/22 to enable the backlog of programmed works due to Covid-19, to be completed.

#### 4.4.3. Improvement Programmes (Ref B)

- 248 properties had new central heating systems/boilers installed;
- 3 properties had new storage heating installed;
- 4460 properties had CO (carbon monoxide) detectors installed;
- 34 Wet room installations, 10 over bath installs, 18 stair lifts installed in domestic properties and 1 adapted kitchen have been completed under the Aids and Adaptions programme.

#### 4.4.4. Health & Safety Works (Ref C)

- Asbestos management removals completed for communal areas at various sites;
- Chantry Court Sprinkler installation has been completed, system going on line in January 2021;
- 23 door entry systems upgrades have been completed;
- Asbestos Survey programme in progress for domestic and communal areas as per asbestos management policy;
- Replacement of communal emergency lighting at Gravesham Court with LED is 75% complete.

4.4.5. Across the Health & Safety Works Programmes it is anticipated that £355k will to be rolled forward into 2021/22 to enable the backlog of programmed works due to Covid-19, to be completed.

#### 4.5. New Build (Ref D)

4.5.1. The authority signed an agreement with the DCLG to retain part of the Right To Buy (RTB) receipts and use them as part-funding of new build and/or acquisition of additional social housing. The following is the reported position at the end of Quarter Three:

- Construction continues on the former Whitehill Tenants Associations Club site where Westridge Construction Limited will deliver 24 x 1 and 2 bed apartments and 8 x 3 bed houses. However, works has been severely disrupted due to Covid-19, with reduced labour on site and several sub-contractors scaling back their operations. Further delays with delivery of materials and connection of services has extended completion of the houses to early February 2021with the apartment block expected to hand over in April 2021;
- Westridge Construction took possession of the Valley Drive Site in February 2020 that will deliver 32 x 1 bed apartments for over 55's and 16 x 1, 2 and 3 bed general needs apartments. However, disconnection of the mains services had been delayed due to the statutory undertakers suspending all non-emergency works due to Covid-19. Disconnections have now taken place. All pre-commencement planning conditions have been discharged and following disconnection of all services, demolition will commence. The development is now expected to complete in 2022;
- Westridge Construction took possession of the site at St Patrick's Gardens in May to construct 23 x 1 and 2 bed apartments and provide a replacement fully equipped play area. Construction is progressing well and residents are being kept updated by Westridge;

- Constable Road has planning permission to construct 7 x 1 bed bungalows and a new play area within the open amenity space. A contractor has been selected following a tender process via the South East consortium. A report recommending approval to enter into a build contract will be taken to Cabinet in January 2021.
  - Planning permission for 4 x 2 bed apartments and 2 x 1 bed bungalows on the former St John's Ambulance site in Armoury Drive was granted in December 2020. The scheme will be out to tender in the New Year.
- 4.5.2. Our partners continue to work hard to maintain business continuity and keep the council informed of any changes and advice from Government and the WHO that could impact business plans. The underlying message was that the health and wellbeing of all staff, clients, and third-party suppliers was of paramount importance, and any measures in respect of social distancing and safe working practice should be implemented without fail. Following government guidance, increased labour on site has meant that work has progressed significantly despite the many challenges. However, due to the increase in positive Covid-19 cases and those having to isolate due to contact with the virus more generally, there may be reductions in available workforce which could cause delays. Our partners are providing regular updates and we are continuing to attend project meetings albeit virtually.
- 4.5.3. Despite the current impact from Covid-19, the council remains committed to increase the housing supply in the borough and continues to work with its stakeholders in the identification, design, and construction of good quality affordable homes.
- 4.5.4. The Housing Development Team are currently working on approximately 20 sites that are at various stages of the planning, design and build process from initial conception to works on site. Planning permission was recently granted for a further 6 home on land at Armoury Drive and the signing of a contract to deliver 6 bungalows at Constable Road with the start on site estimated for March 2021 is imminent.
- 4.5.5. The council is permitted to retain part of the RTB receipts to repay the debt incurred in 2012 as part of HRA self-financing. As at 1 April 2020, the RTB Allowable Debt reserve had a nil balance. This was due to the proposal to use any balance from the RTB Allowable Debt reserve to help fund the New Build projects, ahead of any other funding source, as this can either be used to repay debt or finance the capital programme.
- 4.5.6. Table 13 summarises the one for one receipts retained from the sale of Right To Buy properties, since 2012, along with the level of GBC's contributions required to deliver the New Build programme and a summary of when expenditure needs to be delivered to avoid having to return funds to Central Government.
- 4.5.7. The Council has made an offer, subject to property survey searches, to purchase 147 Wrotham Road, which has been accepted. The intention is to use the Christianfields Overage monies to fund the purchase from the open market with the balance being sourced from existing HRA resources. The property will provide interim housing to assist vulnerable residents within the borough.

	One for one receipts retained	GBC 70% contribution to new build	Value of new build expenditure expected	Cumulative value of new build expenditure expected	Date of new build expected by
	£	£	£	£	
<b>2012-17 c/f</b>	6,905,580	16,113,020	23,018,600	23,018,620	31-Mar-20
<b>2017-18</b>					
Q1	351,150	819,350	1,170,500	24,189,120	30-Jun-20
Q2	296,150	691,020	987,170	25,176,290	30-Sep-20
Q3	730,460	1,704,420	2,434,880	27,611,170	31-Dec-20
Q4	433,800	1,012,210	1,446,010	29,057,180	01-Jan-21
<b>2018-19</b>					
Q1	694,160	1,619,710	2,313,870	31,371,040	30-Jun-21
Q2	484,630	1,130,800	1,615,430	32,986,460	30-Sep-21
Q3	379,770	886,130	1,265,900	34,252,360	31-Dec-21
Q4	238,610	556,760	795,370	35,047,730	31-Mar-22
<b>2019-20</b>					
Q1	383,470	894,760	1,278,230	36,325,960	30-Jun-22
Q2	1,382,090	3,224,880	4,606,970	40,932,930	30-Sep-22
Q3	544,030	1,269,400	1,813,430	42,746,360	31-Dec-22
Q4	559,730	1,306,040	1,865,770	44,612,130	31-Mar-23
<b>2020-21</b>					
Q1	453,610	1,058,420	1,512,030	46,124,160	30-Jun-23
Q2	39,580	92,350	131,930	46,256,090	30-Sep-23
Q3	400,460	934,410	1,334,870	47,590,960	31-Dec-23
	<b>14,277,280</b>	<b>33,313,680</b>	<b>47,590,960</b>		

Table 5: New Build

#### 4.7. Housing Computer System (Ref E)

- 4.7.1. Delivery of the project to implement the Housing Computer System during Quarter Three has been challenging due to constraints with current technology and Gravesham being placed in the highest Tier for much of the period. As a direct result, new ways of project working and delivery have been required. Despite these challenges, the Housing System Replacement Programme continues to progress well.
- 4.7.2. Some of the successes includes two sets of Virtual 'Train the Trainer' session taking place with the supplier, as well as two iterations of data having been loaded into the House System Environment. User Acceptance Testing has commenced and will continue into January 2021 with re-testing taking place as required.
- 4.7.3. Training has commenced with overview sessions taking place for over 50 members of staff; follow-up training has been booked for all officers to enable them to become familiar with the system prior to going live.
- 4.7.4. An Audit and Security update has been provided to the Head of the Internal Audit & Counter Fraud Shared Service, which covered data integrity, testing approach, risks, user profiles and document management.
- 4.7.5. Initial workshops have taken place for the additional modules including CRM (automating workflow), AGILE (mobile working) and EDRMS (electronic document management).

Work has commenced on the build for these later modules following the discussions and outcomes from the workshops.

#### **4.8. Replacement Playground Equipment (Ref G)**

4.8.1. A 20-year replacement plan has been agreed and included within the Housing Asset Business Plan. However, due to Covid-19, there has been a delay in the commencement of works. The improvements due to take place in 2020/21 will now commence in 2021/22 following a review with the Housing Management Team.

#### **4.9. Disabled Facility Grants (DFGs) (Ref I)**

4.9.1. The grant funding awarded to the Council in 2020/21, via the Better Care Fund, was £832,800. The total funding available is £1,707,980, which includes a carry forward amount from 2019/20 of £875,180.

4.9.2. The Council continues to offer the Disabled Facility Grant programme to homes eligible for assistance within the wider remit of the Better Care.

4.9.3. With works being delayed due to Covid-19, there continued to be considerable progress made in Quarter Three including new referrals and the completion of adaptations which had been approved prior to lockdown.

4.9.4. Safe distance working continues to apply to any works carried out to ensure the welfare of the client. KCC Adult Social Care have now progressed the backlog of initial referral visits and continue to carry out assessments on a virtual platform.

4.9.5. There is a strong emphasis on processing single adaption grants via the small grants application process to enable works to be progressed in a shorter timeframe. This will help reduce the length of time some residents will wait if they make a grant application.

4.9.6. A total of 95 cases have been processed, of which the breakdown is as follows:

- 26 grant cases were approved
- 10 households had works completed
- 8 applications were cancelled due to changes in the client's circumstances
- 51 grant cases are awaiting approval

4.9.7. In Quarter Three, the Council distributed £192,080 to private homeowners within the borough who qualify for Disabled Facility Grant assistance, including awarding grants associated with the Better Care Fund bringing the total spend in 2020/21 to £431,710.

4.9.8. A total of 64 people have benefited from the Private Sector Housing Assistance Policy which enables people to gain access to funding which otherwise would not have been available. It has assisted 59 people to have better managed hospital discharges into a safer home environment. A further 5 people have been assisted with energy measures. This quarter has continued to see a significant increase in the number of people being discharged from hospital, compared to previous periods, as hospitals facilitate quicker discharges to manage the pressures on the NHS due to the continuing Covid-19 pandemic.

4.9.9. Work around hoarding cases is especially of concern where patients are waiting to be discharged. Housing Services have been working with the social care team, agents and families to ensure support and measures are provided as quickly as possible within the home. Access is available in the form of one to one support to best understand and assist residents with this specific issue. A new co-ordinator has now been put in place to ensure that the backlog of referrals is being processed.

#### 4.10. Capital Resources

4.10.1. The table below shows the resources available to fund capital projects in future. The use of funding takes into account schemes which are expected to roll balances forward, as indicated in this report.

Housing Capital Resources	Opening Balance 01/04/2020 (£)	Income 2020/21 (£)	Use of Funding 2020/21 (£)	Projected Balance 31/03/2021 (£)
Capital Receipts - HRA	(1,160,010)	(259,490)	789,240	(630,260)
Capital Receipts - GF Housing	(86,180)	0	0	(86,180)
Capital Receipts - PV Panels	(3,573,000)	0	0	(3,573,000)
Major Repairs Reserve - Dwellings	(86,170)	(7,015,300)	5,872,910	(1,228,560)
Major Repairs Reserve - Non Dwellings	(849,390)	0	694,200	(155,190)
New Build Reserve: 1-4-1 Receipts	(6,443,440)	(2,928,210)	1,967,170	(7,404,480)
Right to Buy Allowable Debt Reserve	0	(426,260)	426,260	0
Disabled Facility Grants	(875,220)	(832,800)	1,707,990	(30)
Christianfields Overage	(766,000)	0	766,000	0
General Reserve (revenue)	(3,037,750)	0	940,540	(2,097,210)
Borrowing	0	0	5,193,220	0
<b>Total</b>	<b>(16,877,160)</b>	<b>(11,462,060)</b>	<b>18,357,530</b>	<b>(15,174,910)</b>

Table 6: HRA and General Fund Housing Capital Resources 2020/21

4.10.2. Projected Capital Expenditure and funding requirements for the HRA can be found in the HRA Business Plan at Appendix Three to this report.

#### 4.11. HRA Business Planning

4.11.1. The HRA Business Plan is reviewed on an ongoing basis in order to take into account longer-term assumptions around inflation rates, central government grants and energy prices, together with building in all known variances to the budget resulting from Management Team and Cabinet decisions.

4.11.2. The HRA Business Plan reflects the current and future financial spend profiles identified in the recent Stock Condition Survey. It also reflects future forecasts of the New Build Programme beyond the existing three year scheme based on the current assumption on the number of Council Houses sold per annum.

4.11.3. The latest version of the HRA Business Plan is attached to this report at Appendix Two and Three.

4.11.4. On 9 October 2019, HM Treasury announced that it would increase the interest rates on all new loans from the Public Works Loan Board (PWLB) by 100 basis points (one percentage point) on top of usual lending terms. This appeared to be in response to a substantial increase in the use of PWLB by local authorities over recent months, given the cost of borrowing had fallen to record lows. This action effectively made the PWLB the lender of last resort for local authorities.

4.11.5. That increase was then reversed for some forms of borrowing on 11 March 2020, when the Government announced that local authorities could borrow for HRA schemes from the PWLB at up 120 basis point (1.2%) below standard rates. At the same time the Government announced a consultation on the future of the PWLB.

- 4.11.6. The results of the consultation were issued at the end of 2020 and along with restricting access to the PWLB for authorities borrowing purely for commercial reasons, the rate at which authorities could borrow was reduced by the 100 basis points that were added in October 2019.
- 4.11.7. Ordinarily the Council assumes 30 properties will be sold per annum, however, in light of the COVID-19 pandemic, this is likely to be reduced to around 20 for the current financial year.
- 4.11.8. Further work will be undertaken over the coming weeks to review the impact the above changes will have on the Business Plan as well as other base assumptions within the model.

IMPLICATIONS	APPENDIX 1
<b>Legal</b>	There are no specific legal matters arising from this report.
<b>Finance and Value for Money</b>	The financial implications are contained within the body of this report.
<b>Risk Assessment</b>	The purpose of this report is to demonstrate financial performance as at 31 December against the original budget set for the 2020/21 financial year, and illustrate how this affects the Working Balances and Earmarked Reserves held by the Council.
<b>Data Protection Impact Assessment</b>	<i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i>
	<p>a. Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>?</p> <p>A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>N/A</p>
	<p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p>
<p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>.</p> <p>N/A</p>	
<b>Equality Impact Assessment</b>	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>No decision – paper is for information only.</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p>
	<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>
<b>Corporate Plan</b>	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks

<b>Climate Change</b>	Provision has been made within these budget proposals to progress activity to improve the energy efficiency of existing council-owned homes and consider carbon emission in the development of new homes.
<b>Crime and Disorder</b>	No direct implications.
<b>Digital and website implications</b>	No direct implications.
<b>Safeguarding children and vulnerable adults</b>	No direct implications.