

Section One – Housing Revenue Account Budget

Revised Budget 2021-22

1. During 2021-22, 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. Despite COVID-19 restrictions during the year, 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.
3. The Budget Monitoring Report at the end of Quarter Three (period to 31 December 2021) indicates a projected and anticipated deficit for the year of £281,410, albeit income and expenditure variances in the last quarter of the year will impact on this figure.

Revenue Budget 2022-23

4. The Original Estimate for 2022-23 represents a balanced budget position, which has been achieved through drawing £324,020 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 2021-22 (£)	Projected Outturn 2021-22 (£)	Proposed Original Budget 2022-23 (£)
Supervision and Management	5,996,680	5,908,020	7,386,750
Repairs and Maintenance	7,812,020	7,757,020	7,832,530
Depreciation	6,948,300	6,948,300	6,965,120
Intensive Management Fund - Expenditure	589,080	589,080	434,890
Capital Finance	7,794,080	7,868,580	8,206,410
Sub Total Expenditure	29,140,160	29,071,000	30,825,700
Rents of Dwellings	(26,273,300)	(26,234,470)	(27,955,300)
Other Rental Income	(14,700)	(14,700)	(7,550)
Service Charges	(1,782,900)	(1,792,810)	(1,911,500)
Non Dwelling Income	(140,000)	(115,310)	(119,820)
Intensive Management Fund - Income	(521,680)	(521,680)	(434,890)
Other Income	(110,620)	(110,620)	(72,620)
Sub Total Income	(28,843,200)	(28,789,590)	(30,501,680)
Contributions to/(from) reserves	(296,960)	(281,410)	(324,020)
Net Surplus/Deficit	0	0	0

5. 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.
6. The key factors considered when proposing the budget for 2022-23 are set out in the following sections.

Supervision and Management Costs

7. 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

8. For 2021-22 a pay agreement between the unions and the National Employers for Local Government Services is still to be determined. A final offer of 1.75% has been made by the National Employers and this has been built in to the HRA Business Plan for 2021-22. Previously the council had budgeted for a 0% pay award in 2021-22.
9. With pay negotiations still live in relation to 2021-22, there are currently no indications of what any pay offer for 2022-23 might consider. As part of the Autumn Budget and Spending Review in October 2021, the Chancellor of the Exchequer confirmed his intention to seek recommendations from Pay Review Bodies where applicable to inform public sector pay growth over the next three years. The HRA Business Plan includes an assumed increase of 2% of salaries for 2022-23 and for future years.
10. The Government in November announced a 1% increase in employer NI contributions to take effect from April 2022. This is estimated to create additional cost pressures of £30,000 per annum.
11. The Vacancy Allowance for the HRA has been retained at £100,000.

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. 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 be delivered by external contractors under contractual arrangements.
13. Budgeted spend represents an average spend per property in 2022-23 of £1,378 compared to the £1,371 budgeted in 2021-22.

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.
15. Due to the delay with obtaining external accounts sign off for 2019/20, 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 2022-23 is £434,890. Funding of £331,410 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.

Capital Financing

18. In 2022-23 the Council is required to repay a loan of £7.761m, however the HRA cannot fully meet the loan repayment. The budget includes a provision to repay £5.454m requiring £2.307m to be refinanced. This is the second year since HRA self-financing 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 £2.130m.
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 years dependent upon to level and structure of resources required to fund the new build & acquisition programme. In 2022-23, the council will be required to make a contribution from revenue of £574k 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 2022-23 confirmed that rents could increase by CPI+1% from 1 April 2022 (where CPI is measured at September 2021). Reference to the current rent standard can be found here: [Limit on annual rent increases 2022-23 \(from April 2022\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/limit-on-annual-rent-increases-2022-23)
22. Dwelling Rents for 2022-23 will increase by 4.1%. Dwelling Rent levels have been determined by the Director (Housing) in consultation with 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 1.39% 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 £302,000 has been estimated. No additional provision has been made in 2022-23 for COVID-19 as it is not believed to be necessary.
25. Total expected income received in respect of rents from council dwellings has increased by £1.682m in comparison to the original 2021-22 budget.
26. The authority's average weekly social rent will increase to £94.22 in 2022-23, compared to £90.26 in 2021-22. The average affordable rent will increase to £170.43 (the average rent increase will not be exactly equal to 4.1% 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 2022-23 will be £3.88 (currently £3.72). The capped service charge has been increased by 4.1% (based on CPI at September 2021 +1). Service charges for 2022-23 have been determined by the Director (Housing) in consultation with 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 ongoing impact of COVID-19 pandemic and related issues remains unknown and could affect budgeted outturn.
 - Increase in rent arrears due to Universal Credit
 - Increase in cost of capital
31. The last year has been challenging for the Housing Revenue Account and its tenants. COVID-19 continues to have an impact on the way in which the council delivers its landlord services and many tenants have found themselves in financial difficulty. The council has continued 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 2022-23 while continuing to make a distinction between those who cannot pay, and those who will not pay. The budget for 2022-23 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.