

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 12th September/26th September 2022

Reporting officer: Assistant Director (Corporate Services)

Subject: Housing Revenue Account Budget Monitoring Report – Quarter One 2022/23

Purpose and summary of report:

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2022/23, including known variances agreed or identified through budgetary control activity.

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

Recommendations:

This report is for information only.

Key Implications:	
Item	Implications
Legal	There are no specific legal matters arising from this report.
Finance and Value for Money	The financial implications are contained within the body of this report.
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks
Climate Change	No direct implications

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 2022/23 financial year for the first quarter to 30 June 2022 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, which affects either budgetary provision or results in a permanent change to the staffing establishment to be considered and approved by Management Team.

2. EXECUTIVE SUMMARY

HRA (Revenue)

- 2.1 At the end of Quarter One, income and expenditure for the year remains balanced, albeit there remains an anticipated contribution from reserves to fund projected revenue expenditure for the year.
- 2.2 During the budget-setting process consideration was given to known financial challenges. However, there are a number of emerging pressures which although not yet quantified, are highlighted in section 7 of this report and will have a significant impact on the HRA budget going forward.
- 2.3 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 £324k, with the level of reserves being £729k at start of year and projected to be £405k at year-end.
- 2.4 **Housing Capital**

The revised budget for the Housing Capital Programme for the year is £25.7m, with expenditure and commitments to the end of Quarter one of £11.4m. Capital budgets totalling £1.6m have been carried forward to 2022/23, relating to the maintenance of the Council's housing stock and the New Build programme.

3. Housing Revenue Account

3.1 Budget 2022/23

- 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 30 June 2022. As of 30 June 2022, the forecast reflects an adverse variance of £196k. The main contributing factors are an increase in responsive repair costs and a loss of rent due to an increase in the number of property purchases under the Right to Buy scheme.

Description	Original Budget 2022/23 (£)	Forecast 2022/23 (£)	Variation (£)
Supervision and Management	7,386,750	7,227,600	(159,150)
Repairs and Maintenance	7,832,530	7,868,790	36,260
Depreciation	6,965,120	6,965,120	0
Intensive Management Fund - Expenditure	434,890	434,890	0
Capital Finance	8,206,410	8,227,590	21,180
Sub Total Expenditure	30,825,700	30,723,990	(101,710)
Rents of Dwellings	(27,955,300)	(27,714,620)	240,680
Other Rental Income	(7,550)	(7,550)	0
Service Charges	(1,911,500)	(1,901,820)	9,680
Non Dwelling Income	(119,820)	(119,820)	0
Intensive Management Fund - Income	(434,890)	(434,890)	0
Other Income	(72,620)	(25,000)	47,620
Sub Total Income	(30,501,680)	(30,203,700)	297,980
Contributions to/(from) reserves	(324,020)	(520,290)	(196,270)
Net Surplus/Deficit	0	0	0

Table 1: Housing Revenue Account 2022/23

3.1.2 The HRA original budget for 2022/23 is £30,825,700. An additional £63,260 has been carried forward from 2021/22. The following items from 2021/22 were approved for carry forward to 2022/23 by the Section 151 Officer and the Council's Management Team.

Summary of HRA 2021/22 year end carry forward request			
Directorate	Service	Amount	Reason for Carry Forward request into 2022/23
Housing	Housing Landlord Services	12,000	Much of the planned training for 2021/22 could not be carried out due to covid restrictions
Housing	Housing Landlord Services	4,000	Increased tenant engagement activities are required as a result of increased engagement expectations set out in the Social Housing White Paper and Building Safety Bill. Many engagement activities could not take place due to covid restrictions in 2021/22.
Housing	Housing Landlord Services	7,975	Many of the works planned could not be carried out due to the effects of covid causing delays in Contractors being able to get supplies
Housing	S & M Horticulture	8,320	Continuation of Green Space Improvements on Housing Estates programme
Housing	Fire Door inspections	21,763	Works commenced to carry out fire door inspections 21- 22, did not complete by end march
Housing	Risk Assessment -remedial works	9,200	Works commenced 21-22, these relate to works required to rectify defects/actions highlighted on risk assessments.
Total Carry Forward Requests		63,258	

Table 2: Housing Revenue Account revenue carry forwards - 2022/23

3.2 SUPERVISION & MANAGEMENT – £159k FAVOURABLE VARIANCE

3.2.1 Vacancy Management: £159k favourable variance - the HRA staffing budget for 2022/23 incorporates a vacancy allowance of £100k for the year. It is anticipated that this will occur throughout the establishment from natural staff turnover within day-to-day business activities. For the first three months to 30 June 2021, actual staffing spend was £159k lower than budgeted. This is due to difficulty in recruiting in a buoyant market.

3.2.2 Council Tax on Void Properties: nil variance – The budget for Council Tax on Void Properties has been increased from £70k in 2021/22 to £105k 2022/23. However, given this area was overspent in 2021/22 by £140k, the current level of void properties and the turnaround time, this area is being monitored closely to highlight any variance at the earliest opportunity.

3.3 REPAIRS & MAINTENANCE - £36k ADVERSE VARIANCE

3.3.1 Responsive Repairs: £36k adverse variance – The significant impact on the cost of repairs and maintenance due to national delays in the supply chain and the associated increase in material costs that is affecting both Contractors and the in-house team continues to prove challenging. The service started Quarter 1 with a backlog of work due to the severe winds in March, coupled with a high turnover of staff due to the construction market being so buoyant. At this stage of the financial year an adverse variance of £36k is reported, but the budget will be closely monitored throughout quarter 2 and during the year.

3.4 Depreciation – NIL VARIANCE

3.4.1 Depreciation: nil variance – In 2019/20 the Council's housing stock was valued at £320.8m, following an external valuation, this increased to £409m in 2020/21 (an increase of 27.5%). Depreciation is the process of allocating the cost of an asset over its useful life, so the increase in the overall valuation in March 2021, increased the depreciation charge to the HRA to £8.6m in 2021/22 compared to £6.7m in 2020/21. Whilst the depreciation charge credits the Major Repairs Reserve, which the Council is required to maintain and uses as a funding source for future capital works, a further increase in the valuation of the housing stock in March 2022 resulting in an even higher depreciation charge will place significant pressure on the HRA's ongoing viability. Officers within Finance are currently reviewing the HRA's depreciation policy to ascertain whether the policy needs to be amended. At this stage, a nil variance is being reported on the basis that any amendment to the policy will reduce the resulting charge to a level more in line with the original budgeted figure.

3.5 Capital Financing - £21K ADVERSE VARIANCE

3.5.1 External Interest Charges: £21k adverse variance - The Monetary Policy Committee (MPC) have increased the Bank of England Base rate from an all-time low of 0.10% in December 2021 to 0.25%. It was increased again to 0.50% by the MPC at its meeting in February and has been increased further at each subsequent meeting. It is currently 1.75%. This has pushed up borrowing rates to a level higher than was forecast at the time of setting the budget in February 2022. Therefore, as a result the forecast cost of borrowing to support the HRA proposed capital programme is currently resulting in an adverse variance of £21,180. If projects do not progress as initially anticipated, this will reduce the need to borrow and the associated borrowing costs.

3.6 RENTS ON DWELLINGS - £241k ADVERSE VARIANCE

3.6.1 **Rental Income: £241k adverse variance** - Due to the increased number of properties being purchased under the Right to Buy scheme over and above the number assumed at budget setting, it is forecast that there could be a potential loss of rental income resulting in an adverse variance of £241k.

3.7 SERVICE CHARGES - £10k ADVERSE VARIANCE

3.7.1 **Service Charges on Dwellings: £10k adverse variance** – The increased number of properties being sold under the Right to Buy scheme will also result in a loss of service charge income on dwellings of around 10k.

3.8 OTHER INCOME – £48k ADVERSE VARIANCE

3.8.1 **Other Income: £48K adverse variance** - As with rental income on dwellings there is an expected shortfall on other income. Lettings income is down and whilst this was taken into account at budget setting, it is anticipated that there will be further losses resulting in an adverse variance by end of the financial year of some £48k.

3.9 WORKING BALANCES AND RESERVES

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

	£
Balance Brought Forward from 2021/22	3,000,000
Forecast Outturn position 2022/23	(520,290)
Forecast working balances C/Fwd (as at 30 June 2022) including minimum HRA Working Balance	2,479,710
Add: Transfer from HRA General Reserve (Revenue)	520,290
Forecast Usable Working Balances C/fwd (as at 30th June 2022)	3,000,000

Table 3: Effect on Housing Revenue Account Working Balances

3.9.2 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 01/04/2022 £	Contributions (Income) £	Use of Reserve (Expenditure) £	Balance 31/03/2023 £
HRA General Reserve (Revenue)	(729,280)	0	520,290	(208,990)
Total	(729,280)	0	520,290	(208,990)

Table 4: Analysis of Specific Reserves – HRA

4 HOUSING CAPITAL PROGRAMME

4.1 The Housing Capital programme for 2022/23 is £25,725,960. This budget includes £1,666,990 that has been carried forward from 2021/22.

4.2 The HRA capital schemes continue to focus on maintaining the minimum decent homes standard for the Council's stock in 2022/23, with £6,515,190 earmarked for this purpose within the Replacement, Improvement, Health & Safety Works and

Major Void Works Programmes. A further £250,000 has been set aside to deal with the refurbishment of major void properties. An additional £1,738,840 capital budgets have been agreed to provide the replacement Housing Computer System, Fire Doors and Replacement Play Equipment. The council also continues its commitment to energy efficiency with £1,888,650 allocated for this purpose. The New Build programme continues its prominence with £14,734,120 budgeted in 2022/23.

4.3 As at the end Quarter one, £11.4m has been spent or committed against the capital schemes detailed below. Officers will continue to monitor the impact of Covid-19 as well as the current fiscal and economic situation on the delivery of the capital programme.

HOUSING CAPITAL PROGRAMME							
Ref No:	Project	2022/23 Original Budget (£)	2022/23 Approved C/fwd (£)	2022/23 Working Budget (£)	Expenditure Including Commitments (£)	Forecast as at Q1 (£)	Variance as at Q1 (£)
A	Replacement Programmes	3,368,290	286,630	3,654,920	2,117,771	3,554,920	100,000
B	Improvement Programmes	1,921,870	101,570	2,023,440	713,179	1,985,440	38,000
C	Health & Safety Works	801,190	35,640	836,830	359,343	836,830	0
D	Major Void Works	250,000	0	250,000	101,757	400,000	(150,000)
E	New Build & Acquisitions	13,863,470	870,650	14,734,120	6,256,311	14,734,120	0
F	Housing Computer Systems	600,000	(10,160)	589,840	264,420	589,840	0
G	Replacement Play Equipment	127,500	0	127,500	109,692	127,500	0
H	Bin Housing	49,470	120	49,590	11,941	49,590	0
I	CCTV	30,000	19,620	49,620	17,345	49,620	0
J	Fire Doors	806,580	214,920	1,021,500	910,974	1,021,500	0
K	LAD2 Grant	0	148,000	148,000	0	148,000	0
L	Energy Efficiency	1,888,650	0	1,888,650	571,832	1,888,650	0
M	Structural Surveys	100,000	0	100,000	0	100,000	0
N	Independent Living Area Upgrades	116,950	0	116,950	0	116,950	0
O	Cycle Storage	30,000	0	30,000	0	30,000	0
P	Alleyways HRA	105,000	0	105,000	0	105,000	0
	Total (HRA & GF Capital Programme)	24,058,970	1,666,990	25,725,960	11,434,565	25,737,960	(12,000)

Table 5: Housing Capital Programme

4.4 The following works were undertaken or completed by the end of Quarter one 2022/23.

4.5 Replacement Programmes (Ref A) - Favourable Variance £100k

4.5.1 Due to high number of staff vacancies within the team, fewer replacement bathroom and kitchens are being installed, therefore resulting in a forecast underspend of £100k.

- Kitchen renewals: 8 on programme, 53 on voids programme
- Bathroom renewals: 13 on the programme, 45 on voids programme
- Windows and door renewals: 20 properties completed, 60 properties either in progress or pending on current programme
- Roofing: 3 properties completed, 33 properties and 1 block either in progress or pending in current programme.
- Electrical tests: 319 properties completed, 892 either in progress or pending in current programme
- Electrical tests: 18 blocks completed, 34 either in progress or pending in current programme

4.6 Improvement Programmes (Ref B) - Favourable variance of £38k

4.6.1 Reactive boiler works in quarter one has been below expected levels and therefore there is a resulting favourable variance of £38k

- Central heating systems/boilers installations:

- 81 completed on programme, 119 either in progress or pending in current programme
- 4 boilers installed on re-active (boilers not on a planned programme, but broken down and beyond economically repair or unable to repair to repair), £130k forecast for remaining reactive spend
- Major refurbishments: 8 properties completed
- Aids & Adaptions works:
 - Wet room installations: 29 either in progress or pending in current programme
 - Over bath showers: 7 either in progress or pending in current programme
 - Domestic stair lifts installations: 8 completed, 16 either in progress or pending in current programme

4.7 Health & Safety Works (Ref C)

- Fire detection installations in general let properties: 244 completed, 1469 either in progress or pending in current programme
- Fire detection installations in sheltered properties: 25 completed, 260 either in progress or pending in current programme
- Upgrades to door entry systems: 5 sites completed, works either in progress or planned to:
 - Upgrade door entry systems at 2 further sites
 - Digital switchover at 14 sheltered sites
- LED Emergency lighting upgrades carried out at 1 block, further 3 either in progress or pending in current programme
- Fire rated front door replacements to flats: 33 installed, 365 either in progress or pending in current programme

4.8 Major Void Works (Ref D) - Adverse Variance £150k

4.8.1 Due to the increase in inflation, cost are rising beyond what has been budgeted for. This coupled with the expected continuation in increase voids will lead to an overspend on major works. This adverse variance at this level can be offset by savings generated on the replacement and Improvement programmes.

4.9 New Build and Acquisitions (Ref E)

4.9.1 In 2012 the authority signed an agreement with the DCLG to retain an element of the Right To Buy (RTB) receipts and use them as part-funding of new build and/or acquisition of additional social housing.

4.9.2 From 1 April 2021, MHCLG amended the rules around the use of RTB receipts, allowing Local Authorities to fund 40% of costs incurred in the delivery of additional housing units from the use of RTB receipts, which is an increase from the previous limit of 30%. This means that Local Authorities are now only required to fund the remaining 60% of costs. MHCLG has also increased the requirement to spend RTB receipts from three to four years after they are generated.

4.9.3 The table below shows a summary of the new build properties that have been delivered since the original agreement was signed in 2012, as well as the number of additional properties, which are at various stages of delivery within the current programme. To date, the total number of new Council homes completed, under construction or with planning permission is 170. The Housing Development Team continue to work on a pipeline of potential development sites to increase the supply of social housing.

HRA Property Development Stage	Number of Properties
Delivered and Completed	116
Under Construction	54
Planning Permission Granted	0
Feasibility/Concept Design	89
Total Number of HRA Properties	259
Investment Partnership Feasibilities (Tenure TBC)	412

Table 6: New Build Delivery

4.9.4 The following is the reported position at the end of Quarter 1:

- Whitehill (Admiral Beatty House) and Nansen Road – Scheme completed July 2021; comprising of 8 x 3 bed 5 person houses and 24 x 1 bed & 2 bed apartments. Defects liability period extended to September 2023 due to latent defect of EOD.
- St Patrick’s Gardens (Bishops Court) – Completed 14 March 2022. Comprising of 22 x 1 bed & 2 bed apartments and 1 x 2 bed wheelchair dwelling, including play equipment installed to new amenity space. In defects liability period.
- Valley Drive (340/Mariner Court) – Works continuing on site with completion scheduled in autumn 2022. The scheme will deliver 32 x 1 bed apartments for over 55’s including x4 wheelchair compliant homes to Block A and 15 x 1 bed & 2 bed apartments for general needs and 1 x 3 bed wheelchair dwelling to Block B.
- Constable Road / Rembrandt Drive– Properties completed 30 May 2022. Terrace of 6 x 1 bed bungalows and 1 x 1 bed wheelchair compliant bungalow. The new play area will be ready early August with the external landscaping and tree planting completing in the autumn planting season.
- Armoury Drive – The former Milton Barracks site under construction comprising of 2 x 1 bed detached bungalows and 4 x 2 bed apartments. Started on site 6 June 2022 the 64-week programme is expecting to complete summer 2023.
- St Columba’s Close – Currently under redesign the scheme will comprise of 13 x 1 bed and 21 x 2 bed apartments, 7 x 3 bed houses and 4 x 4 bed houses with general improvements to the public realm and existing blocks of flats. Community engagement has commenced with design works ongoing and a planning submission expected Winter 2022.
- Worcester Close- Pre app meeting was held on 1 July 2022. The scheme presented to Planning currently consists of 4 x 1 bed and 4 x 2 bed flats. Feedback indicates that further re design and surveys need to be carried out prior to a planning application.

4.9.5 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 of 1 April 2022, 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.

4.9.6 Table 7 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.

	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
	£	£	£	£	
2012-17 c/f	6,905,580	16,113,020	23,018,600	23,018,620	31-Mar-22
2017-18					
Q1	351,150	819,350	1,170,500	24,189,120	30-Jun-22
Q2	296,150	691,020	987,170	25,176,290	30-Sep-22
Q3	730,460	1,704,420	2,434,880	27,611,170	31-Dec-22
Q4	433,800	1,012,210	1,446,010	29,057,180	01-Jan-23
2018-19					
Q1	694,160	1,619,710	2,313,870	31,371,040	30-Jun-23
Q2	484,630	1,130,800	1,615,430	32,986,460	30-Sep-23
Q3	379,770	886,130	1,265,900	34,252,360	31-Dec-23
Q4	238,610	556,760	795,370	35,047,730	31-Mar-24
2019-20					
Q1	383,470	894,760	1,278,230	36,325,960	30-Jun-24
Q2	1,382,090	3,224,880	4,606,970	40,932,930	30-Sep-24
Q3	544,030	1,269,400	1,813,430	42,746,360	31-Dec-24
Q4	559,730	1,306,040	1,865,770	44,612,130	31-Mar-25
2020-21					
Q1	474,550	1,107,280	1,581,830	46,193,960	30-Jun-25
Q2	39,580	92,350	131,930	46,325,890	30-Sep-25
Q3	400,460	934,410	1,334,870	47,660,760	31-Dec-25
Q4	560,850	1,308,650	1,869,500	49,530,260	31-Mar-26
2021-22					
Q1-Q4	3,072,252	4,608,379	7,680,631	57,210,891	31-Mar-27
	17,931,320	39,279,570	57,210,890		

Table 7: New Build

4.10 Housing Computer System (Ref F)

4.10.1 The roll out of the new housing system is imminent, with the launch of the first phase likely to be mid-late September. The first phase will focus on Income and Housing Management and will enable Housing Income Staff to streamline the arrears process with staff only having to use one system as opposed to several and will provide Housing and Independent Living Officers with a far more effective housing management system, allowing for far more processes and actions to be completed whilst out on our estates and with our tenants, enabling staff to spend more time out on our housing estates. The second phase will focus on asset management, leasehold management and an improved digital offering for our residents.

4.10.2 The 2022/23 projected outturn is still to be confirmed, at present an underspend is expected however the value is subject to the initial invoice from supplier which has not yet been received. Further updates will be provided in future reports.

4.11 Replacement Playground Equipment (Ref G)

4.11.1 Quarter 1 has seen the successful delivery of a new playground site at Carl Ekman House which has been very well received by residents. Additional sites are being identified for upgrade this financial year and costings are being reviewed, confirmation is expected in Quarter 2.

4.12 Bin Housing (Ref H)

4.12.1 To support the Council's Climate Action Plan to work with council tenants to improve recycling rates across the Borough, a survey of all bin areas is underway taking into account ease of disposing of waste, recycling and fly tipping issues to ensure the best use of capital budget spend during the remainder of the financial year and no variance is expected on budget as at Q1.

4.13 CCTV (Ref I)

4.13.1 Following the introduction of monitored CCTV last financial year, work has been undertaken in Q1 to look at priorities to be delivered during the rest of the financial year taking into account new schemes and cameras which may need to be upgraded.

4.14 Fire Doors (Ref J)

4.14.1 The HRA is currently in its second year of replacing all of the flat entrance fire doors to ensure they meet the latest fire safety standards. The programme for year two includes 337 new doors to the independent Living schemes.

4.15 LAD2 Grant (Ref K)

4.15.1 BEIS has awarded grant funding of £297,000 towards the cost of insulating some of the Council's housing stock (approx. 100 homes). The Council is contributing a further £148,000 towards the project.

4.16 Energy Efficiency (Ref L)

4.16.1 The following projects have been initiated, and a number of surveys and feasibility studies are in progress

- Ground Source Heat Pump: works in progress at Merston and Hermitage
- Solar Panels installation: works in progress at Carl Ekman
- Vehicle charger: works in progress to install a vehicle charger at Bishops Court and Carl Ekman

4.16.2 Property specific energy efficiency measures

- 95 St Gregory's Crescent – solar panels, air source heat pump
- 6 Haysmead – solar panel, air source heat pump

4.16.3 Social Housing Decarbonisation Works:

- Programme heavily focused on cavity and loft insulations with a contract in place for:
 - Loft insulations: 23 Completed, further 327 in progress or pending
 - Cavity Wall: 12 completed, further 198 in progress or pending

4.17 Structural Surveys (Ref M)

4.17.1 A programme of 50 blocks has been identified for this financial year and during quarter 1, 14 blocks have been surveyed. The undertaking of planned structural surveys allows for any defects that are identified to be dealt with at an early stage.

4.18 Independent Living Area Upgrades (Ref N)

4.18.1 The Independent Living team is currently in the process of putting together a programme of works in conjunction with the Planned Work team for this capital scheme which will commence later in the financial year once the replacement fire doors have been completed. The focus of the programme is to provide modern, comfortable facilities for the residents to enjoy.

4.19 Cycle Storage (Ref O)

4.19.1 To support the Council's Climate Action Plan to work with council tenants to promote active travel options, cycle storage will be installed on some of our estates, starting with St Patricks Gardens. No variance is anticipated as at Q1.

4.20 Alleyways HRA (Ref P)

4.20.1 Housing Management are working closely with Waste Management on a plan for the priority areas to be delivered this financial year, in order to compliment and build on the good work being carried out.

5 Capital Resources

5.1 Table 8 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 01/04/2022 £	Actual Income 2022/23 £	Forecast Use of Funding 2022/23 £	Final Balance 31/03/2023 £
Capital Receipts - HRA	(1,381,770)	(259,490)	1,158,920	(482,340)
Capital Receipts - GF Housing	(135,390)	0	0	(135,390)
Capital Receipts - PV Panels	(3,573,000)	0	0	(3,573,000)
Major Repairs Reserve - Dwellings	(453,950)	(6,776,580)	7,230,540	10
Major Repairs Reserve - Non Dwellings	(69,700)	(188,540)	258,240	0
New Build Reserve: 1-4-1 Receipts	(6,582,820)	(3,247,960)		(9,830,780)
Right to Buy Allowable Debt Reserve	0	(989,620)	898,330	(91,290)
Meopham Police Station (s106)	(24,500)	0	0	(24,500)
Total	(12,221,130)	(11,462,190)	9,546,030	(14,137,290)

Table 8: HRA and General Fund Housing Capital Resources 2022/23

6 HRA Business Planning

6.1 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.

6.2 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.

6.3 The latest version of the HRA Business Plans for revenue and capital are attached to this report at Appendices two and three.

6.4 The current version of the HRA Business Plan reflects the assumption that there will be an increase in the number of properties sold under the Right to Buy scheme compared to the budgeted assumption of 20 per annum. Inflationary increases year on year have also been reviewed to reflect the current challenging economic conditions and supply chain issues.

6.5 Officers will continue to work on the Business Plan in conjunction with colleagues in Housing to review and assess the impact of other base assumptions within the model.

7 Wider Unbudgeted Risks to the HRA

7.1 The council continues to work within an uncertain financial environment compounded by the cost-of-living crisis, which has seen unprecedented price rises in recent months. An announcement made by the Bank of England warned that the rate of inflation is expected to rise to 13% in the autumn with prospects of the UK economy heading towards a recession. This will inevitably have a significant negative impact on the Council's budget. The current cost-of-living crisis has seen unprecedented price rises in recent months. An announcement made by the Bank of England warned that the rate of inflation is expected to rise to 13% in the autumn with prospects of the UK economy heading towards recession. This will inevitably have a significant negative impact on the council's HRA budget.

7.2 The rising Bank of England base rate will result in higher borrowing costs than had been originally budgeted. This is currently estimated to increase the cost of borrowing by £21k this financial year.

7.3 The continued increase in the cost of materials and supply chain issues is affecting both in-house operations and external contractors is negatively impacting the HRA both in terms of undertaking repairs and capital works on dwellings. Although the estimated impact is unknown at this stage it is thought to be significant.

7.4 The latest pay offer from the National Employers for Local Government Services comprises of a basic salary increase on all scales of £1,925, plus an increase on other allowances of 4.04% for all grades up to Service Manager. If adopted, the impact of this on the HRA would be a further cost of around £294K in 2022/23 with subsequent inflationary impacts in future years. As of writing, pay negotiations are ongoing, and if/when revised offers are put forward, the financial impacts will be assessed and reported in due course.

7.5 Following ongoing rises and general uncertainty within the energy market, it is anticipated that there will be noticeable impact on energy budgets across the Council. As an example, unit costs for electricity have risen by over 65% between January 2022 and June 2022, with the unit price for gas almost trebling across the same period. As of writing, the exact impact for the HRA is not quantifiable, however

a year-end adverse variance for energy budgets is nevertheless projected as utility bills for communal areas will increase.

Appendices

The following documents are to be published with the report:

- Appendix one - Revenue Business Plan
- Appendix Two - Capital Business Plan

Background Documents

There are no background documents.

Lead Officer: Alexandra Jarvis

Email: alexandra.jarvis@gravesham.gov.uk

Secondary Implications	
Risk Assessment	The purpose of this report is to demonstrate financial performance as at 30 June against the original budget set for the 2022/23 financial year, and illustrate how this affects the Working Balances and Earmarked Reserves held by the Council.
Data Protection Impact Assessment	<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>
	a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data ? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. N/A
	b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A
	c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk . N/A
Equality Impact Assessment	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. No decision – paper is for information only
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A
	<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>
Crime and Disorder	No direct implications.
Digital and website implications	No direct implications.
Safeguarding children and vulnerable adults	No direct implications.