

Section One – Housing Revenue Account Budget**Revised Budget 2022-23**

1. During 2022-23, 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. The demand for repairs and maintenance has increased during the year and challenges remain in certain areas such as maintaining servicing programmes. Rent collection has become challenging as the financial implications of the current economic climate can be felt and 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 if needed.
3. The economic uncertainty experienced this year continues to impact on the financial position of the HRA and the wider council, with supplementary financial reports having been considered by the Cabinet in May 2022 and November 2022. The Budget Monitoring Report at the end of Quarter Three (period to 31 December 2022) indicates a projected and anticipated deficit for the year of £59,880, albeit income and expenditure variances in the last quarter of the year will impact on this figure. This is a significantly improved position when compared to the Quarter 2 forecast, but there continues to be known risks to the HRA as set out in this report.

Revenue Budget 2023-24

4. The Original Estimate for 2023-24 represents a balanced budget position, without the need to draw funds from the HRA General Reserve. A contribution of £4.690m will be made to a Debt Repayment Reserve to support the future repayment of debt following an exercise in 2023-24 to review and restructure the debt taken on by the council in 2012 under Central Government HRA Finance Reform. A further £500k contribution will be made to a HRA Priorities Reserve.

Description	Original Budget 2022/23 (£)	Projected Outturn 2022/23 (£)	Proposed Original Budget 2023/24 (£)
Supervision and Management	7,386,750	6,970,200	7,805,630
Repairs and Maintenance	7,832,530	8,349,120	7,947,910
Depreciation	6,965,120	5,277,110	5,330,810
Intensive Management Fund - Expenditure	434,890	434,890	495,060
Capital Finance	8,206,410	9,075,570	6,695,640
Sub Total Expenditure	30,825,700	30,106,890	28,275,050
Rents of Dwellings	(27,955,300)	(27,724,660)	(30,608,500)
Other Rental Income	(7,550)	(7,550)	(7,600)
Service Charges	(1,911,500)	(1,714,470)	(2,158,190)
Non Dwelling Income	(119,820)	(119,820)	(124,730)
Intensive Management Fund - Income	(434,890)	(434,890)	(495,060)
Other Income	(72,620)	(45,620)	(70,720)
Sub Total Income	(30,501,680)	(30,047,010)	(33,464,800)
Contributions to/(from) reserves	(324,020)	(59,880)	5,189,750
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 2023-24 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. In 2022-23 a pay agreement between the unions and the National Employers for Local Government Services was finalised in the autumn of 2022. This resulted in an increase in pay for every employee in the council of £1,925. This produced an average pay increase of 5.5% across the council, whereas the budget for 2022-23 assumed an increase in pay of 2%.
9. The HRA Business Plan includes an assumed increase of 5% of salaries for 2023-24 and 2% for future years.
10. The Vacancy Allowance for the HRA has been increased to £150,000.

Repairs and Maintenance

11. 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.
12. Budgeted spend represents an average spend per property in 2023-24 of £1,402 compared to the £1,378 budgeted in 2022-23. The increase in cost per property is linked to inflation and the cost of materials.

Depreciation

13. Depreciation is a real charge to the HRA and is used to provide resources for capital investment in the council's housing stock. During 2022-23 the depreciation policy was reviewed and amended.
14. 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

15. 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.
16. The budgeted expenditure for the Intensive Management programme in 2023-24 is £495,060. Funding of £293,310 for the programme is expected to be provided through Intensive Housing Management (IHM) charges to persons receiving the services, with a

further £201,750 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

17. In 2023-24 the Council is forecast to repay loans totalling £12.242m, however the HRA cannot fully meet the loan repayment. The budget does not include a provision to repay these loans and therefore they will need to be refinanced. This is the third 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, as well as an increase in the responsibilities of the council as landlord.
18. During 2023-24, Officers will be reviewing the affordability of the current loan profile and investigating opportunities for refinancing the loans the Council took from PWLB as part of HRA Finance Reform in 2012 in consultation with Link, the Council's treasury management consultants. The Debt Repayment Reserve will be established to provide a source of finance to repay elements of the debt either in the current or future years.
19. The interest due on HRA loans is £2.838m.
20. 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.
21. 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 2023-24, the council will be required to make a contribution from revenue of £3.809m for capital purposes.

Rent from Dwellings

22. On 17 November the Chancellor of the Exchequer announced in the Autumn Statement that both social and affordable rent increases will be capped at 7% as of April 2023 for a period of 12 months. Previously government policy permitted annual rent increases for both social and affordable rent properties up to CPI+1% for a period of at least 5 years from April 2020.
23. 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.
24. 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.
25. 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 £300,000 has been estimated.
26. The authority's average weekly social rent be £104.73 in 2023-24, compared to £94.22 in 2022-23. The average affordable rent will increase to £184.29.

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 2023-24 will be £4.20 (currently £3.88) and 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.

Other Income

29. The HRA receives income from 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

- Increase in rent arrears due to Universal Credit
 - Increase in cost of capital
 - Increases in the cost of borrowing
 - General inflation rises effecting costs of materials and labour
30. The last year has been challenging for the Housing Revenue Account and its tenants and 2023-24 will continue to be challenging due to the current economic climate which has seen rising interest rates and inflation. The council has continued to proactively seek to assist tenants who have found themselves in a difficult financial position by asking them to contact the council, which could then result in their agreement of alternative debt repayment plans or the directing of tenants to other support they may be able to access. The council will maintain this support to its tenants in 2023-24 while continuing to make a distinction between those who cannot pay, and those who will not pay. The budget for 2023-24 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.