

Section One – Housing Revenue Account Budget**Revised Budget 2023-24**

1. During 2023-24, 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 a supplementary report on this having been considered by the Cabinet November 2023, building on those reports provided in May 2022 and November 2022. The Budget Monitoring Report at the end of Quarter Three (period to 31 December 2023) indicates a balanced position can be achieved. This is an overall improvement on the Quarter Two forecast and now includes additional capital financing costs to repay debt in year.

Revenue Budget 2024-25

4. The Original Estimate for 2024-25 represents a balanced budget position, without the need to draw funds from the HRA General Reserve.

Description	Original Budget 2023/24 (£)	Projected Outturn 2023/24 (£)	Proposed Original Budget 2024/25 (£)
Supervision and Management	7,805,630	7,639,130	8,208,710
Repairs and Maintenance	7,947,910	8,232,210	8,874,350
Depreciation	5,330,810	5,330,810	5,330,810
Intensive Management Fund - Expenditure	495,060	495,060	491,650
Capital Finance	6,695,640	11,279,560	13,472,250
Sub Total Expenditure	28,275,050	32,976,770	36,377,770
Rents of Dwellings	(30,608,500)	(30,620,470)	(33,258,500)
Other Rental Income	(7,600)	(7,600)	(7,540)
Service Charges	(2,158,190)	(2,158,190)	(2,429,040)
Non Dwelling Income	(124,730)	(124,730)	(140,420)
Intensive Management Fund - Income	(495,060)	(495,060)	(491,650)
Other Income	(70,720)	(70,720)	(50,620)
Sub Total Income	(33,464,800)	(33,476,770)	(36,377,770)
Contributions to/(from) reserves	5,189,750	500,000	0
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 2024-25 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. The pay settlement for 2023-24 was agreed between the unions and the National Joint Council (NJC) as an increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points, equating to a percentage increase of between 9.42% and 3.88% across the salary scales. The offer also includes an increase of 3.88% on all pay points above the maximum of the pay spine but graded below deputy chief officer, and an increase of 3.88 per cent on all allowances. This produced an average pay increase of 5.54% for employees, with the average increase in employer costs being 7.26% (taking into account resultant increases in employers National Insurance and pension contributions).
9. The HRA Business Plan includes an assumed increase of 5% of salaries for 2024-25, 3% for 2025-26 and 2% annually in future years.
10. The Vacancy Allowance for the HRA has been reviewed and reassessed against historic annual salaries spend data. On the basis of this exercise, the allowance will be increased to £400,000 for the HRA in 2024-25.

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 2024-25 of £1,516 compared to the £1,402 budgeted in 2023-24. 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 an unaudited stock valuation as at 1 April 2023. 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 2024-25 is £491,650. Funding of £314,000 for the programme is expected to be provided through Intensive Housing Management (IHM) charges to persons receiving the services, with a further £177,650 recovered directly from tenants.

Capital Financing

17. In 2024-25 the Council is required to repay loans totalling £16.223m, however the HRA cannot fully meet the loan repayment. The budget includes a provision to repay £4.679m and therefore the remainder will need to be refinanced. This is the fourth 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 2024-25, Officers will continue to review 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. Officers will consider utilising borrowing from the PWLB which is available to HRA authorities at discounted rates of 40bps below certainty rate, where appropriate until June 2025.
19. The interest due on HRA loans is £3.408m.
20. The HRA makes a contribution of £55k 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 2024-25, the council will be required to make a contribution from revenue of £5.330m for capital purposes.

Rent from Dwellings

22. Government policy permits annual rent increases for both social and affordable rent properties up to CPI+1%. CPI stood at 6.7% in September 2023, therefore the increase in rents for 2024-25 will be 7.7%
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 £293,000 has been estimated.
26. The authority's average weekly social rent will be £108.85 in 2024-25, compared to £104.73 in 2022-23. The average affordable rent will increase to £193.21 per week.

27. The table below shows the average weekly rent for council dwellings in 2023-24 and 2024-25 compared to the Local Housing Allowance rates for 2024-25. The average monthly private sector rent for each dwelling type is also shown:

Number of bedrooms	Average weekly rent 2023-24	Average weekly rent 2024-25	Local Housing Allowance 2024-25	Difference between average weekly rent and LHA rates 2024-25	Private Sector Rent per month
Bedsits and 1-bed	88.19	94.98	103.87	8.89	850
2-bed	107.67	115.96	172.60	56.64	1,250
3-bed	113.39	122.12	228.99	106.87	1,500
4-bed	123.58	133.09	279.16	146.07	1,600
5-bed	125.98	135.68	333.70	198.02	1,800

Service Charges, Fees and other Charges

28. 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.
29. The average weekly service charge for 2024-25 will be £6.00 (currently £4.20) and has 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

30. 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 Budget

- 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
 - Increases in demand for repairs and maintenance services from tenants
 - Increased Landlord responsibilities driven by Government policy
31. The challenges highlighted in 2023-24 continue into 2024-25 for the Housing Revenue Account and its tenants due to the current economic climate which has seen high levels of 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 the 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 2024-25 while continuing to make a distinction between those who cannot pay, and those who will not pay. The budget for 2024-25 will be reviewed during the course of the year with updates provided through quarterly budget monitoring arrangements.