

## **Gravesham Borough Council**

**Report to:** Report for Cabinet

**Date:** 29 January 2024

**Reporting officer:** Director (Corporate Services)  
Director (Housing & Operations)

**Subject:** Housing Revenue Account Estimates and Housing Capital Programme 2024-25

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

To present the Cabinet with the draft revenue and capital estimates for Housing Revenue Account Services in 2024-25.

To inform Cabinet of the determination of the level of rents and service charges for 2024-25.

### **Recommendations:**

The Cabinet recommends to Full Council that:

1. The draft Revenue estimates for 2024-25 together with the revised estimates for 2023-24 to be approved;
2. The draft capital estimates, together with the revised estimates for 2023-24 be approved, subject to detailed reports coming forward for new schemes, where applicable;
3. The average social rent of £108.85 for 2024-25 be noted.
4. Due consideration is given to the view of the Director (Corporate Services) (as S151 Officer) on the robustness of estimates for the coming year, the medium term financial strategy and the adequacy of proposed reserves and balances, as required under Section 25 of the Local Government Finance Act 2003.

<b>Key Implications:</b>	
<b>Item</b>	<b>Implications</b>
<b>Legal</b>	<p>There is a legal requirement under Section 76 of the Housing Act 1989 to maintain a Housing Revenue Account (HRA) and every year formulate proposals regarding:</p> <ul style="list-style-type: none"> <li>• The income of the authority from rents and other charges in respect of houses and other property</li> <li>• The expenditure in respect of the repair, maintenance, supervision and management of such property</li> <li>• Such other matters connected with the HRA</li> </ul> <p>Implementation of the proposals will secure that the account does not show a debit balance.</p> <p>The Local Government Act 2003 requires the Chief Financial Officer to provide a view of the robustness of the estimates and the adequacy of the level of reserves.</p>
<b>Finance and Value for Money</b>	This report sets out the parameters and processes in place for preparing a balanced budget for 2024-25.
<b>Corporate Plan</b>	<p><b>One Council:</b> a well-run and innovative authority, defined by its skilled and valued workforce, committed to developing its local social impact.</p> <p><b>Financial responsibility:</b> a financially sustainable authority, driven by a strong Medium Term Financial Strategy, enforced by a suite of effective financial monitoring controls.</p>
<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.

## 1. INTRODUCTION

- 1.1 The Housing Revenue Account (HRA) is a ring-fenced account. Under the Policy Framework and Budget Procedure Rules of the Constitution, the Cabinet has responsibility for making proposals to Full Council for the adoption of the annual budget for the HRA.
- 1.2 This report presents the draft HRA revenue and capital estimates for the year 2024-25. These estimates have been prepared in accordance with the Council's Corporate Plan and Council's Partnership Framework.

## **2. Executive Summary**

- 2.1 Local government has experienced a sustained period of financial uncertainty and significant change. There is continued uncertainty relating to the overall UK economy which has seen significant volatility in recent years that has resulted in high inflation and costs particularly affecting repairs and maintenance and capital project costs within the HRA.
- 2.2 The responsibilities for the council acting as a landlord have also increased significantly in recent years, placing further pressure on revenue and capital budgets. These include additional responsibilities around fire safety, works to meet decent homes standards and respond to issues around damp and mould, the implementation of and energy efficiency improvements requiring all properties to reach an Energy Performance Certificate rating of a minimum of C by 2035.
- 2.3 The budget proposals for 2024/25 include actions to respond to these requirements, whilst maintaining financial prudence in managing the budget which is funded by council tenants, seeking to ensure that the council continues to provide the best possible service it can.
- 2.4 The proposed revenue budget for 2024-25 represents a balanced budget position, with planned expenditure for the year being met from expected income and no requirement to draw funds from the HRA General Reserve. The council will continue with its HRA Capital Programme for 2024-25 valued at £33.1m, focusing on maintaining and improving existing council-owned dwellings and increasing the social housing stock the council holds.
- 2.5 In line with the Direction for rent setting issued by the Regulator for Social Housing, the authority's average social rent will be £108.85 per week in 2024-25, compared to £104.73 per week in 2023-24. The average affordable rent will be £193.21 per week. These charges are less than the Housing Allowance rate (used to calculate Housing Benefit entitlement) and average private sector rental charges.

## **3. FORMAT OF THIS REPORT**

- 3.1 This report is presented in four sections. A summary is provided in the main body of this report for each section, with further detailed and contextual information presented in the supporting appendices:
  - Section One – HRA Revenue Account Budget
  - Section Two – Housing Capital Programme
  - Section Three – Robustness of Estimates and Adequacy of Reserves
  - Section Four – HRA Business Planning

#### **4. SECTION ONE – HRA REVENUE ACCOUNT (see also Appendix 1)**

##### **Revised Budget 2023-24**

- 4.1 The Budget Monitoring Report at the end of Quarter Three (period to 31 December 2023) indicates a balanced position can be achieved. The 2023-24 budget assumed that a total of £5.190m would be transferred into reserves at the end of the year (£500k into a HRA Priority Reserve and £4.690m into a Debt Repayment Reserve). A refinancing exercise scheduled for the year has not been conducted due to the continued high prevailing interest rates and therefore the monies allocated for a contribution to the debt repayment reserve in the budget will instead be used to repay debt in the current year. Despite the projected overspend on repairs and maintenance, savings on salary costs and reduced interest costs will result in a higher debt repayment than was budgeted as a contributing to the debt repayment reserve. The HRA Priority Reserve has been established in year.

##### **Revenue Budget 2024-25**

- 4.2 The Original Estimate for 2024-25 represents a balanced budget position without the need to draw fund from the HRA General Reserve. A draft budget book combining the HRA and the General Fund is found at appendix 3a of the General Fund Estimates reporting for members information.
- 4.3 The authority's average social rent will be £108.85 per week in 2024-25, compared to £104.73 per week in 2023-24. The average affordable rent will be £193.21 per week.
- 4.4 The council's average capped service charge will be £6.00 per week for 2024-25.

#### **5. SECTION TWO - HOUSING CAPITAL PROGRAMME (see also Appendix 2)**

- 5.1 The Housing capital programme for 2024-25 totals £33,081,160. The HRA capital programme for 2024-25 will continue to primarily focus on works to maintain the council's housing stock and delivering the New Build and Acquisitions Programme, whilst also supporting activity to improve the efficiency and sustainability of the housing stock as part of the council's Climate Change Strategy.

#### **6. SECTION THREE – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES (see also Appendix 3)**

- 6.1 The Local Government Act 2003 introduced a requirement for the Chief Finance Officer to report on the adequacy of reserves as part of the budget setting process. As set out in Appendix 3, it is the view of Director (Corporate Services), as Section 151 Officer, that the estimates are robust and that the level of reserves is sufficient for the Authority.

## **7. SECTION FOUR - HRA BUSINESS PLANNING (see also Appendix 4 and 5)**

- 7.1 Business planning is central to a self-financed HRA for financial and service planning, monitoring progress and managing risk. The business plan shows how, over 30 years, the rental and other income will fund all the investment needs of the stock, servicing of the debt and day-to-day management and repair requirements. It is the main tool for the financial management of the HRA and has a substantial impact on the asset management plans.
- 7.2 The investment in the stock will be funded from internally managed resources: capital receipts, revenue monies available, and other contributions received, supplemented by any additional prudential borrowing required. Whilst capital receipt pooling to the government is to continue, the debt that authorities can take on is no longer capped following a government announcement in October 2018.
- 7.3 Within the strategic framework of the overall Housing Strategy, the following five objectives are identified;
- To continue the delivery of a high quality council housing service alongside fully engaged tenants who participate in the on-going programme of Housing Service policy reviews;
  - To provide sufficient affordable housing to the Decent Homes Standard;
  - To seek to provide suitable housing to meet the vulnerability needs within the borough;
  - To maintain or improve the amount of private social housing available within the borough;
  - To continue to provide tenants with the tools to enable them to engage with and scrutinise the Housing Department's activities and decision making processes;
  - To manage the council's financial position by the recovery of monies owed and increasing income to the council.
- 7.4 The current HRA Business Plans (Revenue and Capital) can be found at appendix 4 and appendix 5 to this report.
- 7.5 The level of debt for the HRA currently stands at £81.6m, principally consisting of loans taken on by the council in 2012 as part of Central Government HRA Finance Reform. As a consequence of changes to Government Policy around areas such as Right to Buy and social rent levels, as well as additional requirements on the council as a landlord since this time, during 2023-24 officers will be reviewing the affordability of the current loan profile and reporting back to Members with any recommendations made from this exercise.

## **8. BACKGROUND PAPERS**

- 7.1 Background papers pertaining to this report are available from the Financial Services team in the first instance.

<b>Secondary Implications</b>	
<b>Risk Assessment</b>	The risks associated with the HRA revenue and capital estimates are set out in the Medium Term Financial Strategy.
<b>Data Protection Impact Assessment</b>	<p><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> <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>No</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</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>
<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.</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>No.</p> <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></p>
<b>Crime and Disorder</b>	N/A
<b>Digital and website implications</b>	No direct implications
<b>Safeguarding children and vulnerable adults</b>	N/A