

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance and Audit Committee

Date: 16 July 2024

Reporting officer: Assistant Director (Corporate Services)

Subject: Housing Revenue Account Provisional Outturn 2023/24

Purpose and summary of report:

To present:

- The 2023/24 provisional Housing Revenue Account Outturn, including movements in the Housing Revenue Account working balances and General Reserve.
- To present the 2023/24 provisional Housing Revenue Account Capital Outturn

Recommendations:

1. 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 details of the provisional budget outturn for the 2023/24 financial year and complements the 2023/24 Financial Statements for the authority which will subsequently be considered by the Finance & Audit Committee.
- 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 the financial year, income and expenditure for the year was balanced with a contribution of £500k to reserves to fund future revenue and/or capital expenditure. There are some significant variances movement from the forecast outturn reported in previous monitoring reports and whilst this is a positive year end position, it is important to understand that whilst officers have worked hard to prioritise spend, where possible, this has been largely driven by finance year end accounting transactions. This is explained further below.
- 2.2 The level of Working Balances at year end is projected to be £3.0m, the minimum level of Working Balances for the HRA. Movements in year are projected to be result in a net increase in reserves of £500k.
- 2.3 An HRA Priority Reserve has been set up in the financial year 2023/2024, totalling £500k. This is to be used by the HRA to fund expenditure outside of the normal activity. Managers will be able to bid for funds to finance projects subject approval by the Director (Housing), in consultation with the Director (Corporate Services)
- 2.4 The Original Budget for the year set out the intention to create two reserves in 2023/24. It was assumed a balance of £4.69m would be placed into a Debt Repayment Reserve which would be used to facilitate the repayment of the HRA's debt in current and future years following an exercise to review the HRA Debt position that was due to be undertaken during the year. This exercise has not been carried out due to the prevailing high interest rates and therefore instead of contributing to a debt repayment reserve, debt totalling £6.8m has been repaid.

Housing Capital

- 2.5 The Housing Capital Programme original budget was £20.6m. Capital budgets totalling £3m were carried forward from 2022/23 into 2023/24 and new schemes were approved during the year which gave a revised budget of £39.5m. As at 31 March 2024 spend totalled £14.8m which gives a variance of £25.4m, the majority of which will be carried forward into 2024/24.

3. HOUSING REVENUE ACCOUNT

3.1 Budget 2023/24

3.1.1 Table 1 below sets out the provisional year end position for the Housing Revenue Account (HRA) against the original budget.

Description	2023/24 Original Budget £	2023/24 Outturn £	2023/24 Variation £
Supervision and Management	7,805,630	7,768,320	(37,310)
Repairs and Maintenance	7,947,910	8,836,940	889,030
Depreciation	5,330,810	5,643,400	312,590
Intensive Management Fund - Expenditure	495,060	462,880	(32,180)
Capital Finance	6,695,640	13,148,360	6,452,720
Expenditure Sub Total	28,275,050	35,859,900	7,584,850
Rents of Dwellings	(30,608,500)	(30,155,900)	452,600
Other Rental Income	(7,600)	(11,860)	(4,260)
Service Charges	(2,158,190)	(2,367,740)	(209,550)
Non Dwelling Income	(124,730)	(121,350)	3,380
Intensive Management Fund - Income	(495,060)	(487,400)	7,660
Other Income	(70,720)	(3,215,650)	(3,144,930)
Income Sub Total	(33,464,800)	(36,359,900)	(2,895,100)
Contributions to/(from) reserves	5,189,750	500,000	(4,689,750)
Net Surplus/Deficit	0	0	0

Table 1: Housing Revenue Account 2023/24

- 3.1.2 As at 31 March 2024, despite there being a nil surplus or deficit on the HRA account, there are some significant variances which have combined to produce the outturn position. Whilst Housing Officers continue to work hard to prioritise spend, where possible, the outturn position has largely been driven by finance year end accounting transactions having a positive impact on the final position, for the second year in a row.
- 3.1.3 The reported overspend of £889k on Repairs and Maintenance reflects the continued difficulty in recruiting and retaining staff which places a higher reliance on the use of external contractors and the overwhelming demand on the service. The overspend has increased from the previous year's overspend of £714K.
- 3.1.4 In addition to the recruitment difficulties, the Regulator of Social Housing (RSH) recently reported that housing providers have seen at least a 15% increase on annual spend due to higher volumes in responsive repairs driven by the management of damp and mould issues, building safety compliance repairs and catch-up works.
- 3.1.5 During the last financial year, as a landlord, the Council has been subject to the government campaign encouraging tenants to report repairs, the introduction of Awab's law and new guidance to deal with damp and mould issues within increased time frames, Consumer Standards consultation, increased Decent Homes focus by the RSH as well as a more robust Fire Risk Assessment regime which has seen a significant increase in communal repairs and improvements required.
- 3.1.6 For clarification the Repairs and Maintenance budget line relates to refers to all work streams that keep the Council's tenants' homes maintained, decent and safe. Such as

responsive repairs, compliancy, building safety, planned and major work, aids and adaptations and voids.

- 3.1.7 At the time of setting the budget it was assumed that £4.7m would be placed in a debt repayment reserve to facilitate the repayment of debt during the year following a planned debt refinancing exercise. However, given the current high prevailing interest rates, it was deemed that it was not the right time to undertake the work. Therefore, as a result, debt totalling £6.8m has been repaid during the year. This was higher than the amount that had been budgeted to be placed in the debt repayment reserve due to there being a reduction in the level of revenue financing required to support the capital programme.
- 3.1.8 The HRA has successfully secured external grant support for some of its capital programme. The receipt of these grant monies has resulted in a favourable variance against Other Income but a corresponding and opposite adverse variance through the application of this money to finance the capital expenditure on the Capital Finance budget line on the basis that the grant monies were not known about at the time of setting the budget.
- 3.1.9 Rental income generated in year is also below the level that was expected at the time of budget setting. This is due to a combination of a lower number of dwellings throughout the year and an increase in the void rate.
- 3.1.10 The following items from 2022/23 were approved for carry forward to 2023/24 by the Section 151 Officer and the Council's Management Team:

<u>Summary of HRA 2022/23 year end carry forward amount</u>			
<u>Directorate</u>	<u>Service</u>	<u>Amount</u>	<u>Reason for carry forward request into 2022/23</u>
Housing	HRA - Asbestos managemnet	£10,000	Works in progress to complete the 22/23 asbestos management programme in line with policy
Housing	HRA - Fire Sprinkler Inspections	£3,000	Works in progress to complete the 22/23 fire sprinkler inspection programme

3.2 SUPERVISION & MANAGEMENT – £37K FAVOURABLE VARIANCE

- 3.2.1 **Vacancy Management (excluding Housing Assets Teams): £238k Favourable Variance** – The HRA staffing budget for 2023/24 incorporated a vacancy allowance of £150k for the year. It was anticipated that this would be achieved throughout the establishment from natural staff turnover within day-to-day business activities. Having accounted for the pay award, overall actual staff spend was £335k lower than budget. This was due to the high number of vacancies within Housing and the difficulty in recruiting to posts.
- 3.2.2 **Disrepairs Claims: £112k Adverse Variance** – Whilst there had been a drop in disrepair cases in Quarter 3, there has been an increase in cases received during Quarter 4, including old cases that had not followed through from the original disclosure. This trend has been experienced both across Kent and nationally.
- 3.2.3 **Holding Hands: £24k Favourable Variance** - This budget is set aside to assist and encourage tenants to move from their existing home to a smaller one to help release much-needed larger family homes for those on the housing register. The budget was set based on previous years expenditure. However, there was not the anticipated demand from customers to downsize resulting in favourable variance of £24k against the original budget.
- 3.2.4 **Pest Control: £45k Adverse Variance** – Historically, pest control to individual dwellings was deemed to be the responsibility of tenants and only infestations of the

communal areas were the responsibility of the landlord. Changes in legislation have increased landlord responsibility for controlling vermin and reduced the onus on tenants to deal with the issue. Therefore, the costs incurred by the Council have increased and resulted in an adverse variance of £54k.

- 3.2.5 The Pest Control in Council Housing Policy was approved by Housing Cabinet Committee on 5 June 2024 which clearly outlines areas of responsibility and the Council wholly owned company,
- 3.2.6 **Legal Fees: £38k Favourable Variance** – This is a reactive budget and demand is difficult to gauge. The need to utilise this service during the year has not been as high as was expected at the time of setting the budget and therefore a favourable variance of £35k has been produced. The 2024/24 budget has been reduced.
- 3.2.7 **Software Third Party: £47k Favourable Variance** – During budget setting a budget was included for a third-party system, that the service transitioned away from towards the end of prior financial year as the functionality was included in the new housing management system resulting in an underspend within 2023/24.
- 3.2.8 **Direct Insurance: £44k Adverse Variance** – Insurance premiums have increased nationally due to a very difficult and challenging insurance market and as a result the cost to insure the Council's housing stock has resulted in an adverse variance of £44k.
- 3.2.9 **Local Tenants Events: £25k Favourable Variance** – The budget to hold local tenant events has not been fully spent in 2023/24. For most of the year the service operated with only one officer, which was not sufficient resource to engage with tenants in the way the service would have liked. A change in approach within this service will see a more proactive stance taken with local tenants. Engagement is a key aspect of the new consumer standards that have come into force and is essential part of the regulatory compliance, therefore this budget is expected to be fully spent in future years.
- 3.2.10 **Council Tax on Voids: £54k Adverse Variance** – The HRA is responsible for paying council tax on dwellings for any period during the year they remain void. The in-house voids team and contractors strive to bring other homes becoming vacant during the year back to standard and ready for relet as soon as possible to minimise the council tax charge the Council is liable for. For example, the HRA remains responsible for the council tax for units at St Patricks Gardens and St Columbus Close until they are demolished.
- 3.2.11 **Costs Recovered: £43k Favourable Variance** – Costs relating to court fees and charges for water & sewerage that were not budgeted for, have been recovered resulting in a favourable variance of £43k.
- 3.2.12 **Filming Income: £15k Favourable Variance** – Filming took place in Gravesend across multiple HRA owned estates during the summer of 2023. The Council was able to charge location costs and this has resulted in a £15k favourable variance.
- 3.2.13 **Energy Costs: £142k Adverse Variance** - The global energy market has been increasingly volatile in the past couple of years. This has made forecasting spend across utility budgets more difficult to accurately predict and has resulted in an overspend on these lines. However, work is on-going with the assets team to explore how these costs, mainly relating to communal areas, can be reduced in future years by installing solar panels, LED lighting etc
- 3.2.14 **Warden Call System: £14k Adverse Variance** – Additional costs were incurred when moving across to the new Kyndi system plus unexpected expenditure on the renewal of the network have resulted in an adverse variance.

3.2.15 **Other Net Variances: £40k Adverse Variance** - there are a number of smaller adverse and favourable variances within the Supervision and Management budget which collectively have resulted in a £40k adverse variance.

3.3 REPAIRS & MAINTENANCE - £889k ADVERSE VARIANCE

3.3.1 **Repairs & Maintenance Salary Costs: £143k Favourable Variance** – As referenced above in paragraph 3.2.1, the HRA staffing budget for 2023/24 incorporated a vacancy allowance of £150k for the year. Having accounted for the pay award, overall actual staff spend on salaries in relation to repairs and maintenance was underspent by £474k due to the high level of vacancies within team. Consequently, the recharging of staff time to capital was less than expected which contributed an adverse variance of £318k to the outturn position. Specialist advice and support was also required at an additional cost of £13k. These three factors combined to give a favourable variance of £143k.

3.3.2 **Drainage: £79k Adverse variance** - The pressure on this reactive budget is increasing as demand for drainage works grows. The service will be working on a longer-term solution for this area which will include surveying the larger drainage systems to have a greater focus on preventative work. This budget is being closely monitored, so that appropriate action can be taken if expenditure looks to increase beyond the budget provision. Where possible works have been capitalised to reduce the impact on this budget, however, there has been an adverse variance of £79k.

3.3.3 **Repairs Consumable Materials: £562k Adverse Variance** - This expenditure is related to materials used by both the responsive repairs the void service area to undertake the work required on our housing stock. It has been widely reported nationally that since Covid material costs have increased and continue to do so with the Department for Business and Trade confirming there has been a 38% increase in the price of building materials since 2020. In 2023/24 there has been an adverse variance of £562k against the original budget.

3.3.4 **Repairs Payments to Contractors: £415k Adverse Variance** - This expenditure relates to contractors used by responsive repairs and non-capital void works. Due to the level of vacancies within the service, greater reliance has been required on the use of contractors to respond to responsive repairs requests.

The Fire Risk Assessment that we have had to adopt due to regulatory changes goes into considerable detail and has meant there has been a significant increase in Building safety compliance repairs.

The government campaign to encourage tenants to report repairs plus the requirement to deal with damp and mould and other hazards more quickly has also meant there has been an increased demand from tenants for works in this area.

Quarter 4 also saw extremely bad weather, with several storms, which increased the demand on the service for fencing and roofing repair works. During quarter 4 there was an increase of call to the repairs contact centre of just over 2,000 compared to the previous quarter and roughly the same increase for the repair jobs raised.

All these issues have been a contributing factor to the overall £633k adverse variance. While there have been difficulties in recruiting, the service is committed to exploring a further expansion to the workforce to reduce contractor costs going forward.

3.3.5 **Internal Works: £29k Favourable Variance** – Emergency lighting servicing work that had previously been carried out by external contractors for emergency lighting servicing is now being completed by Council officers. This has resulted in a saving of £29k.

3.3.6 Annual Support Costs: £12k Adverse Variance – User licences are required for the system used to manage the operational DSO workforce and to manage works across both repairs, voids and some planned work. During Covid the number of mobile licences was increased to allow for others officer such as Neighbourhood Officers to be able to undertake their duties, as the housing system did not have the necessary capability. During this time the additional costs incurred were recharged to the various teams at the time. Following the introduction of the new housing system, these licences are no longer required. The service will be moving to the main Housing system at the end of 2024.

3.3.7 Rubbish Clearance: £55k Adverse Variance - More clearance works than anticipated during the year has resulted in increased costs in the use of skips and disposal of waste at Brookvale Depot, as highlighted in previous reports, a number of other services use this area across the Council.

3.3.8 Training Expenses: £20k Adverse Variance - Spend on this budget line has increased due to the Housing Operations team undertaking a recognised qualification on building safety and compliance which was a recommendation on the Building Safer future charter action plan.

Responsibility for the Electrical Safety moved to the Building Safety Manager when the electrical upgrade programme was brought back in-house. As part of his review, investment has been made into the electrical team to ensure we are working at the highest level of qualification and skill. This has resulted in an adverse variance of £20k.

3.3.9 Fire Door Inspections: £21k Favourable Variance - Fire door inspections are carried out using contractors for flat entrance doors and in-house operatives for communal doors. There has been a variance due to not being able to access all the properties under the schedule. The regulation requires that we must use our best endeavours to check all flat entrance doors at least every 12 months. Annual checks cannot be done retrospectively therefore the doors that were unable to be checked due to access issues will not be checked twice in 2024/25.

3.3.10 Risk Assessment Remedial Works: £24k Favourable Variance – This is a reactive budget based on actions arising from various risk assessments carried out on our stock.

3.3.11 Water Hygiene: £30k Adverse Variance - Water Hygiene Risk Assessment is a requirement under the Approved Code of Practice L8. Following the procurement of a new servicing contractor, there was a requirement to undertake a comprehensive stock audit. The risk assessments are carried out every two years and therefore will be a saving on budget next year.

3.3.12 Other Net Variances: £28k Adverse Variance - There are a number of smaller adverse and favourable variances within the Repairs and Maintenance budget which collectively have resulted in a £28k adverse variance.

3.4 DEPRECIATION - £313k ADVERSE VARIANCE

3.4.1 Depreciation: £313k Adverse Variance – A depreciation charged is levied with the HRA annually and represents a charge for the use of the assets during the year based on the annual value of the council stock. The value of the dwellings is higher than was assumed at budget setting and consequently the depreciation charge is higher by £313k.

3.4.2 The depreciation charge credits the Major Repairs Reserve (MRR), which the Council is required to maintain and uses as a funding source for future capital works. A higher

depreciation charge means that there are more funds available to finance future capital works.

3.5 INTENSIVE MANAGEMENT FUND (EXPENDITURE) - £32K FAVOURABLE VARIANCE

3.5.1 Intensive Management: £32k Favourable Variance – At the time of setting the budget, assumptions were made as to the level of income that would be generated. However, during the year it became apparent these assumptions had been cautious and as a result more income was generated, resulting in a favourable variance.

3.6 CAPITAL FINANCING - £6.453m ADVERSE VARIANCE (NEEDS UPDATING)

3.6.1 Debt Repayment: £6.8m Adverse Variance – The original budget did not include a provision to repay debt during the 2023/24. The budget did however propose that a debt refinancing exercise would be carried out during the year and that a debt repayment reserve would be established which could be utilised to facilitate the repayment of debt as part of that exercise. It was the intention that £4.7m would be placed into the debt repayment reserve for that purpose. Interest rates have remained at significantly elevated levels, compared to recent years, and it was therefore decided that it was not the right time to undertake such an exercise. Therefore, it was agreed to use surplus funds generated by the HRA to repay debt during the year. Given there was a reduction in the direct revenue financing needed to fund the HRA's capital expenditure in 2023/24, as per para 3.6.2, £6.8m was made available to repay debt in the year.

3.6.2 Direct Revenue Financing: £3m Favourable Variance – At budget setting it was anticipated that £3.8m from the revenue budget would be needed to finance the HRA's capital expenditure in the year. However, the spend on the capital programme was below the level that would require that amount of funding from revenue and the HRA had a significant balance in the Major Repairs Reserve due to changes in the 2022/23 capital financing which has been utilised ahead of using revenue to support capital expenditure in the current year. £816k has been used from revenue to support capital expenditure in 2023/24, resulting in a favourable variance of £3m.

3.6.3 Use External Grants Received: £3m Adverse Variance – Grant funding from external sources has been used to finance elements within the HRA's capital programme. Due to the accounting treatment, the use of this funding is shown within the Capital Financing budget line. There is an equal and opposite within the Other Income budget line to receive the funding into the revenue budget as per para 3.9.1.

3.6.4 Interest Payable: £324k Favourable Variance – The HRA incurs interest costs in relation to the external debt that it has taken to support unfunded capital expenditure. At budget setting it was assumed that the HRA would need to take on £6.9m to support the 2023/24 capital programme and refinance a further £12.2m, that was due to mature during the year which would result in interest cost of £2.8m. The HRA did not spend capital at the level originally anticipated and borrowing of just £1.6m was required to finance expenditure. Given the Council's cash balances coupled with the high prevailing interest rates available on new debt, it was determined that it was more cost effective for all parties to use General Fund cash balances rather than refinance the full amount. New loans to cover the current year requirement and some refinancing totalled £11.3m and the HRA utilised £9.5m of the Council's cash balances. Even with the General Fund levying a charge to the HRA for use of its cash balances, the overall reduction in external debt has resulted in a favourable variance of £324k.

3.6.5 Other Net Variances: £23k Favourable Variance – There are small favourable and adverse variances within the Capital Financing budget which have resulted in a £19k favourable variance.

3.7 RENTS ON DWELLINGS - £453k ADVERSE VARIANCE

- 3.7.1 **Rents on Dwellings: £453k Adverse Variance** – Several factors have combined to result in a net adverse variance on rental income of £453k.
- 3.7.2 The rental budget assumed there would be a certain number of properties at the start of the year, a certain number of properties being sold during the year under the right to buy scheme and a certain number of new properties either being purchased from the market or delivered via the new build an acquisition programme. The actual number of properties at the start of the year was lower than originally forecast due to the high number of sales under the right to buy scheme in 2022/23. Despite less properties being sold under the right to buy scheme in 2023/24, the number of properties purchased from the market and delivered through the new build meant overall there was less rent received than had been budgeted.
- 3.7.3 The void rate for the HRA was also slightly higher than had been expected which resulted in a further reduction of rental income.

3.8 SERVICE CHARGES – £210k FAVOURABLE VARIANCE

- 3.8.1 **Leaseholder Charges: £210k Favourable Variance** – Leaseholder charges covers caretaking, upkeep of communal areas and cleaning. The income budget was based on 2022/23 forecasted income, which included assumptions on the sale of properties under the Right to Buy scheme. However, given the number of properties sold were higher than these assumptions it has meant that the leaseholder service charges generated in 2023/24 income has exceeded the target by £210k.

3.9 OTHER INCOME – £3.145m FAVOURABLE VARIANCE

- 3.9.1 **Capital Grants: £3m Favourable Variance** – The HRA received external grant funding to support specific schemes within the capital programme. Due to the accounting treatment of such grants, the money is shown as income under the Other Income budget heading and there is an equal and opposite charge against the Capital Financing budget line to show the use of the grant to finance the capital expenditure. Grants were received from the Local Authority Housing Fund and Kent County Council towards the cost of purchases properties from the market that would provide housing for those who were unable to secure their own accommodation and who have resettled in the UK through recent legal humanitarian schemes. Further grant from the Social Housing Decarbonisation Fund was also used to fund expenditure on capital works to improve the energy efficiency quality of homes in the borough.
- 3.10 **Insurance Claim Settlement: £92k Favourable Variance** - In August 2023, a fire damaged properties in Rose Street. These properties were both HRA stock and privately owned properties. Under the insurance policy, expenditure above the policy excess can be recovered. £92k has been recovered to date and therefore has created a favourable variance.
- 3.11 **Interest on Internal Balances: £40k Favourable Variance** – At the start of the year the HRA had higher than normal reserve balances due to the way the 2022/23 capital programme had been financed. These balances were invested in line with the Council's Treasury Management Strategy Statement and therefore the HRA's share of the interest earned on these investment balances has resulted in a favourable variance of £40k.
- 3.11.1 **Other Net Variances: £13k Favourable Variance** - There are a number of smaller adverse and favourable variances within the Other Income budget which collectively have resulted in a £13k favourable variance.

3.12 WORKING BALANCES AND RESERVES

3.12.1 The variances outlined in this report have the following effect upon HRA working balances and reserves which are illustrated in the tables below:

	£
Balance Brought Forward from 2022/23	3,000,000
Forecast Outturn position 2023/24	500,000
Forecast working balances C/Fwd (as at 31st March 2024) including minimum HRA Working Balance	3,500,000
Add: Transfer from HRA General Reserve (Revenue)	0
Less: Transfer to HRA Priority Reserve (Revenue)	(500,000)
Less: Transfer to HRA Debt Repayment Reserve	0
Forecast Usable Working Balances C/fwd (as at 31st December 2023)	3,000,000

Table 2: Effect on Housing Revenue Account Working Balances

HRA Specific Reserves	Opening Balance 01/04/2023 £	Contributions (Income) £	Use of Reserve (Expenditure) £	Balance 31/03/2024 £
HRA General Reserve (Revenue)	(1,754,310)	0	0	(1,754,310)
HRA Priority Reserve (Revenue)	0	(500,000)	0	(500,000)
Total	(1,754,310)	(500,000)	0	(2,254,310)

Table 3: Analysis of Specific Reserves – HRA

4. HOUSING CAPITAL PROGRAMME

- 4.1 The Housing Capital programme budget for 2023/24 was £39.5m. This budget includes £3m that was carried forward from 2022/23 and additions the capital programme approved by Full Council during the year.
- 4.2 The HRA capital schemes continued to focus on maintaining the minimum decent homes standard for the Council's stock in 2023/24, with £6,687,030 earmarked for this purpose within the Replacement, Improvement, Health & Safety Works and Major Void Works Programmes. The council also continues its commitment to build new homes with £28,388,130 allocated for this purpose.
- 4.3 An additional grant has been received in year from the Central Government for the Local Authority Housing Fund to provide accommodation for those who meet the eligibility criteria.
- 4.4 As at the end of March 2024, £14.8m had been spent against the capital schemes detailed on the following page.

Project	2023/24 Original Budget £	2023/24 Approved Adjustments £	2023/24 Working Budget £	2023/24 Final Outturn £	2023/24 Variance £	Carry Forwards to 2024/25 £
Replacement Programmes	3,892,500	0	3,892,500	4,378,190	(485,690)	0
Improvement Programmes	1,373,930	175,400	1,549,330	1,030,440	518,890	33,200
Health & Safety Works	1,165,000	80,200	1,245,200	862,770	382,430	215,950
New Build & Acquisitions	11,231,130	17,157,000	28,388,130	4,834,700	23,553,430	6,949,390
Housing Computer Systems	0	283,480	283,480	147,180	136,300	136,300
CCTV	32,000	0	32,000	33,650	(1,650)	0
Fire Doors	800,000	47,000	847,000	708,980	138,020	138,020
Energy Efficiency	2,000,000	114,550	2,114,550	1,870,130	244,420	244,420
Social Housing Decarbonisation Fund	0	960,080	960,080	563,960	396,120	0
Structural Surveys	100,000	0	100,000	82,280	17,720	17,720
Drainage	0	0	0	164,830	(164,830)	0
Independent Living Area Upgrades	0	94,730	94,730	94,730	0	0
Total HRA Capital Programme	20,594,560	18,912,440	39,507,000	14,771,840	24,735,160	7,735,000

Table 4: Housing Capital Programme 2023/24

4.5 Replacement Programmes – Adverse Variance £486k

4.5.1 The Replacement Programme (capital) has been instrumental in improving the quality of housing within our stock. Last year, 156 kitchens and 89 bathrooms were replaced which address the Council's commitment of providing safe, comfortable and well-maintained homes for tenants. A significant number of window/door replacements were also completed as well as major communal area upgrade and improvements to the look and feel of the estates which has enhanced the living conditions for many tenants and made life easier for new tenants entering council homes.

4.5.2 However, due to the reactive nature of voids compared to the planned nature of the other programmes outlined above, the voids replacement scheme within the replacement programme has overspent by £772k, although it is important to highlight that this overspend has reduced compared to last year and the overall adverse variance on the replacement programme mitigated by underspends on the capital kitchen, bathroom and roofing schemes.

4.5.3 Of the 323 voids completed during the year, 109 properties needed extensive refurbishment work to bring them up to a safe and decent condition in order to re-let them with nearly 50% becoming empty due to the tenant passing away. Half of these properties were under occupied and had some form of adaptation. To mitigate this in the future, officers will be working on a revised Holding Hands Policy to help tenants live in a home that is right for them and makes the best use of council assets.

4.6 Improvement Programmes – Favourable Variance £518k

- Central heating systems/boilers installations: 37 completed

4.7 Health & Safety Works – Favourable Variance £382k

4.7.1 Fire detection Works started in 2023/24 but will be completed in 24/25

- Fire detection installations in all properties: 622 completed
- Upgrades to door entry systems: 7 blocks
- Passenger lift refurbishment: No refurbishment carried out.
- LED Emergency lighting upgrades carried out at 5 blocks.

4.8 New Build – Favourable Variance £7.6m

4.8.1 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.

- 4.8.2 From 1 April 2024, DHLUC has amended the rules around the use of RTB receipts, allowing Local Authorities to fund 50% 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 40%. This means that Local Authorities are now only required to fund the remaining 50% of costs for the sites this funding is applied to. DLUHC has also increased the requirement to spend RTB receipts to five years after they are generated.
- 4.8.3 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 March 2024, the RTB Allowable Debt reserve has a £1m 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.
- 4.8.4 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. The table does not take account of off the shelf purchases such as the 10 flats that were bought in Wrotham Road or refurbishments where the Development team dealt with the obtaining of planning permission only.

HRA Property Development Stage	Number of Properties
Delivered and Completed	168
Under Construction	52
Planning Permission Granted	8
In Planning	0
Feasibility/Concept Design	398
Total Number of HRA Properties	626
Investment Partnership Feasibilities (Tenure TBC)	185

Table 5: New Build Delivery

- 4.8.5 The following is the reported position at the end of Quarter 4
- 4.8.6 Valley Drive (340/Mariner Court), Gravesend - 48 units in total – Phase 1 was completed on 28 February 2023 and defects are about to be signed off. Phase 2 – provides affordable rented units for independent living for 50s, which completed on 19 July 2023. Defects inspections will take place in July 2024, the cost of which will be covered by retention money held back from the former contractor, Westridge, who went into administration after the site was complete.
- 4.8.7 Armoury Drive – 6 units – The former Milton Barracks site is currently under construction and comprises of 2 x 1 bed detached bungalows and 4 x 2 bed apartments. Expected completion was originally expected in February 2024 but completion is now expected in July 2024. The delay has been caused partially by quality issues, which needed rectifying to the Council's satisfaction, and partially due to delays in installing the meters by the relevant utility companies.
- 4.8.8 St Columba's Close – St Columba's Close, Gravesend – 46 units in total – This scheme will comprise of 11 x 1 bed flats and 17 x 2 bed flats, 6 x 3 bed flats, 2 x 1 bed maisonettes, 4 x 2 bed maisonettes, 4 x 3 bed houses and 2 x 4 bed houses with general improvements to the public realm and existing blocks of flats. Planning permission was granted on 6 April 2023 (subject to further design development under

planning derogations) after which it became apparent that it was going to take longer than anticipated to decant the flats being used for temporary accommodation. Vacant possession was finally achieved in October 2023. Further design work for the ground source heating system (including ground investigations etc) was required prior to going out to tender along with work to finalise the Employers Requirements, contract amendments and the Tender Pack. This has meant that the site was not ready to commence as previously estimated in 2023 and the need to carry over the budget to the financial year 2024/25.

- 4.8.9 The tender process was concluded on 22 September 2023. Financial and due diligence checks were carried out on the winning tender along with careful clarification and negotiations particularly over insurance levels and preliminaries. The contract was awarded to Oakwood Construction in December 2023, and the legal contract process commenced to allow the JCT Design & Build contract to be signed and the contractor took possession of the site on 11 March 2024. The site has been secured with hoarding with the existing buildings currently awaiting demolition imminently once pre-commencement planning conditions have been satisfied and the utility companies have removed the gas, electricity and water meters. Only once demolition is complete will Council Tax no longer be payable and so every effort is being made to complete the demolition as soon as possible. An application for £1.5m of grant funding has been made to Homes England for the part funding of the 26 replacement dwellings for social rent on this site (decision pending) and the additional 20 new dwellings for affordable rent will be eligible to be part funded by Right to Buy receipts. The site is due to be fully complete in April 2026.
- 4.8.10 Worcester Close – 8 units in total – Worcester Close, Istead Rise – The scheme consists of 4 x 1 bed and 4 x 2 bed flats in a rural location for affordable rent. Planning permission was granted on 26 July 2023, however, there was a consultation period required concerning the ‘green belt’ status of the site and the necessary planning policy compliance plus a call-in by DLUHC. This meant full planning permission could not be granted until this was resolved and was confirmed on 29 November 2023. There is always a period of time required to ensure Employers Requirements and the Tender Pack are finalised but due to current market conditions there has been an issue in getting smaller contractors interested in tendering through the approved procurement framework routes and it has taken time to get at least two to tender from a framework. The site is now currently out to tender with a tender return date on 3 July 2024 and an expected start on site in August / September 2024 once all clarifications, checks and contract documents are checked and signed. It is estimated that it will take approximately 10 months to develop.
- 4.8.11 107 Vale Road, Northfleet – this is a single existing vacant and derelict 1 bedroom bungalow for which designs have been drawn up for an extended 4 bedroom house for affordable rent. A Householder Advice pre-application was submitted to the Planning department on 15 March 2024 for which we are still awaiting a report. It has been expected that this project is likely to require a full planning application.
- 4.8.12 Table 6 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 60% 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	1,811,560	4,227,000	6,038,560	29,057,180	31-Mar-23
2018-19	1,797,170	4,193,400	5,990,570	35,047,730	31-Mar-24
2019-20	2,869,320	6,695,080	9,564,400	44,612,130	31-Mar-25
2020-21	1,475,440	3,442,690	4,918,130	49,530,260	31-Mar-26
2021-22	3,072,252	4,608,379	7,680,631	57,210,891	31-Mar-27
2022-23	4,265,120	6,397,680	10,662,800	67,873,691	31-Mar-28
2023-24	1,295,188	1,942,782	3,237,970	71,111,661	31-Mar-29
	23,491,630	47,620,030	71,111,660		

Table 6: New Build

4.9 Housing Computer System - Favourable Variance £136k

4.9.1 The Tenancy Management Team implemented in a new housing management system in the autumn of 2022/23, and since this time have been working through various phases to improve functionality and efficiency of the system. The service is currently working on improving modules within the system in relation to anti-social behaviour case management, workflows for various processes and a tenant portal to ensure digital access 24/7 to allow for self-service. In addition to this, a new CRM module is currently being implemented to give a holistic view of our customers to all staff within the service helping to improve decision making and mitigate risk. There are additional modules that will be implemented in 2024/25 resulting in this budget being fully utilised.

4.10 CCTV - £2k Adverse Variance

4.10.1 CCTV was installed at Park Place to help deal with anti-social behaviour within the area. The CCTV transmission path for Gravesham was also upgraded to allow better monitoring of the provision.

4.11 Fire Doors - Favourable Variance £138k

4.11.1 Works started in 23/24 but finished in 24/25. Fire rated front doors installed in 412 properties across 14 schemes, the variance was due to slippage in the programme meaning one independent living scheme was carried over into 24/25.

4.12 Energy Efficiency - Favourable Variance £244k

4.12.1 The following elements have been delivered as part of this capital scheme during the year:

- Installation of ground source heat pumps (GSHP's) to 29 flats and the communal area at Springvale court.
- Completion of 17 Net Zero homes consisting of air source heat pumps(ASHP's), solar panels and loft and cavity wall insulation.
- Installation of solar panels and battery storage at Springvale Court to power the communal electricity supply.
- Installation of Electric Vehicle charge points at Valley Drive.

Due to some delays with commencing works due to finalising specifications, some works have been delayed and will be commencing in 2024/2025 resulting in a favourable variance.

4.13 Social Housing Decarbonisation Fund (SHDF) – Favourable Variance £396k

4.13.1 140 properties have had insulation measures installed under the SHDF scheme. The variance represents the monies that we were required to return to the Department of Energy Security and Net Zero due to an underspend on the Social Housing Decarbonisation Fund (SHDF) Wave 1 project where several surveyed properties that fell outside the scope of the SHDF criteria. The surplus grant has now been returned to Government.

4.14 Structural Surveys – Favourable Variance £17k

4.14.1 RAAC inspections undertaken for all blocks.

4.15 Drainage – Adverse Variance £165k

4.15.1 A variance has arisen due to the capitalisation of costs from revenue which had not been budgeted for. This has been offset by favourable variances elsewhere within the capital programme.

4.16 Capital Resources

4.16.1 Table 8 below, shows the resources available to fund capital projects in future.

Housing Capital Resources	Opening Balance 01/04/2023 £	Income 2023/24 £	Use of Funding 2023/24 £	Final Balance 31/03/2024 £
Capital Receipts - HRA	(1,656,430)	(253,920)	147,180	(1,763,170)
Capital Receipts - GF Housing	(159,360)	0	0	(159,360)
Major Repairs Reserve - Dwellings	(5,497,730)	(5,116,080)	8,208,360	(2,405,450)
Major Repairs Reserve - Non Dwellings	(266,790)	(214,730)	266,790	(214,730)
New Build Reserve: 1-4-1 Receipts	(10,118,460)	(1,295,190)	713,670	(10,699,980)
Right to Buy Allowable Debt Reserve	(846,690)	(164,100)	0	(1,010,790)
Social Housing Decarbonisation Grant	(731,700)	233,140	498,560	0
KCC Local Authority Housing Fund Top Up	0	(825,000)	825,000	0
Homes England Grant	0	0	0	0
Local Authority Housing Fund	(279,470)	(1,462,090)	1,666,960	(74,600)
Total	(19,556,630)	(9,097,970)	12,326,520	(16,328,080)

Table 8: HRA and General Fund Housing Capital Resources 2023/24

4.17 The positive income figure against the Social Housing Decarbonisation Grant represents the balance of the grant being returned to government following completion of the scheme.

5. Appendices

5.1 There are no appendices.

6. Background Documents

6.1 There are no background documents.

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Secondary Implications	
Risk Assessment	The purpose of this report is to demonstrate financial performance as at 31 March 2024 against the original budget set for the 2023/24 financial year, and illustrate how this affects the Working Balances and Earmarked Reserves held by the Council.
Data Protection Impact Assessment	<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 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</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>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</p>
Equality Impact Assessment	<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. No decision – paper is for information only.</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. N/A</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>
Crime and Disorder	No direct implications.
Digital and website implications	No direct implications.
Safeguarding children and vulnerable adults	No direct implications.