

Subject:	Housing Revenue Account Budget & Capital Investment Programme 2020/21 and Medium Term Financial Strategy		
Date of Meeting:	11 February 2021 25 February 2021 – Budget Council 20 January 2021 – Housing Committee		
Report of:	Acting Chief Finance Officer Executive Director for Housing, Neighbourhoods & Communities		
Contact Officer:	Name:	Craig Garoghan Martin Reid	Tel: 01273 29-1262 01273 29-3321
	Email:	craig.garoghan@brighton-hove.gov.uk Martin.Reid@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1 PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report presents the proposed Housing Revenue Account (HRA) revenue and capital budget for 2021/22 as required by the Local Government & Housing Act 1989. Members are required to consider the revenue budget proposals including investments and re-investments (service pressures) and changes to rents, fees and charges and the capital programme. This report also sets out the Medium Term Financial Strategy and a 30 year financial forecast.
- 1.2 The HRA contains the income and expenditure relating to the council's social landlord duties covering approximately 11,700 rented properties and 2,900 leasehold properties. The income and expenditure relating to these properties, including rent rebates, is accounted for separately from the council's other services and activities which form part of the council's General Fund.
- 1.3 Investment continues within the HRA to ensure council homes are maintained to the Brighton & Hove decent homes standard, to provide investment to reduce the carbon footprint of council housing and to increase the number of affordable homes available across the city to help tackle the City's housing crisis. The capital investment proposal for 2021/22 is a total of £69.819m over the following areas:
- £44.539m on Delivery of New Council Homes
 - £17.940m on Improving Housing Quality & Standards
 - £4.390m on Sustainability & Carbon Reduction
 - £2.480m on Tackling Inequality
 - £0.470m on Supporting well-run services for the city

2 RECOMMENDATIONS:

That the Housing Committee:

- 2.1 Approves a rent increase of up to 1.5% in line with government legislation as detailed in paragraph 4.15 of the report.
- 2.2 Approves the service charges and fees as detailed in Appendix 3 to the report.
- 2.3 Notes the proposal to set up a capital reserve of £4.010m for use in 2021/22 and beyond as discussed in paragraph 4.13.
- 2.4 Notes the proposal to use £1.200m of the Direct Revenue Funding to fund Housing First purchases as discussed in paragraph 4.11.
- 2.5 Notes the proposal to use £0.680m of the Direct Revenue Funding to fund general acquisition purchases as discussed in paragraph 4.12.
- 2.6 Notes the current HRA forecast outturn for 2020/21 in Appendix 1 to the report of a £0.860m underspend.
- 2.7 Notes the Medium-Term Financial Strategy and 30-year financial projections shown in Appendix 5 to the report.
- 2.8 Notes the requirement that further work on identifying resources will have to be considered to meet Carbon neutral aims 2030.

That Housing Committee approves and recommends to Policy & Resources Committee:

- 2.9 That the updated HRA revenue budget for 2021/22 as shown in Appendix 2 be agreed and recommended to full Council for approval;
- 2.10 Notes the 3-year programme as set out in Appendix 4 and that the Capital Programme Budget of £38.395m for 2021/22 be agreed and recommended to full Council for approval.

That Full Council:

- 2.11 Approves the HRA revenue budget for 2021/22 as shown in Appendix 2.
- 2.12 Notes the 3-year programme as set out in Appendix 4 and approves the Capital Programme Budget of £38.395m for 2021/22

3 HRA BUDGET STRATEGY

- 3.1 The HRA budget aims to balance the priorities of both the council and council housing residents in the context of the council's Housing Strategy, HRA Asset Management Strategy, and the Housing Committee's priorities and work plan 2019-23 which sets out the overall direction for Housing over the 4-year period. As well as these, the budget strategy considers the significant legal and regulatory changes following the review of building safety standards.
- 3.2 The budget strategy also reflects the council's decision to bring the delivery of the Repairs & Maintenance Service back in house from March 2020. This includes further investment in proposals to ensure that customer service, quality assurance, responsive repairs and empty property refurbishments, planned maintenance and improvement programmes, and major capital projects continue to be delivered efficiently and provide value for money for tenants and leaseholders.

Housing Committee Priorities and Work Plan 2019 to 2023

- 3.3 The priorities and work plan for the Housing Committee and Housing service for the four year period of 2019-2023 was agreed in September 2019 in order to inform future reporting to Committee on:
1. key areas of officer focus and delivery;
 2. budget strategy, asset review, investment plans and resource allocation;
 3. resident engagement and formal consultation;
 4. engagement and consultation with partners and key stakeholders.
- 3.4 Key elements of the work plan in relation to the HRA Revenue Budget and Capital Investment Programme 2021/22 include:

Providing additional affordable homes:

1. Continued delivery against the target of 800 additional council homes, including new builds and purchasing homes.
2. Develop the existing Hidden Homes programme.

Achieving carbon reductions and sustainability in housing including addressing fuel poverty:

3. Develop an action plan to ensure housing contributes to making the city carbon neutral by 2030.
4. Develop a new PV and energy efficiency strategy for council homes.

Improving council housing and community involvement:

5. Work with tenants to develop a 'decent environment' standard.
6. Develop a fire safety programme with tenants and residents.

- 3.5 The Housing Strategy priorities included in developing the HRA Revenue Budget and Capital Programme are:

Priority 1: Improving Housing Supply

Respond to the opportunities to increase housing supply following the lifting of the HRA borrowing cap, and deliver at least 800 additional council homes within 4 years utilising the cross directorate housing delivery team to drive projects forward, including:

1. Continue the 'New Homes for Neighbourhoods' programme. The programme has been successful and since summer 2015 has completed 225 new council homes across 14 projects. It has sites currently identified for an estimated total of 470 additional new affordable homes.
2. Maintain and enhance the Hidden Homes programme to refurbish and convert under-used or unused spaces within existing council stock into new homes. 15 new homes have been delivered since the inception of the programme with a further 11 due to be delivered in 2021/22. Planning permission has also been granted for a further three homes at Manor Road, Whitehawk. A pipeline of potential sites has been developed to deliver approximately 18 homes by 2023.
3. Continue to increase the supply of council owned temporary accommodation allowing the council to achieve savings against the costs of procuring more expensive accommodation from the private market either through existing frameworks or spot purchase. The conversion of Oxford Street, Brighton provides for 10 new temporary accommodation homes and is due for completion in 2021. In September 2020 the council completed the purchase of 38 self-contained flats at Gladstone Court, Brighton for new emergency accommodation. New opportunities continue to be assessed to increase the provision of council owned temporary and emergency accommodation, where cost effective to do so.
4. Continuation of the Home Purchase Policy scheme which has so far enabled the council to buy 78 properties since its inception in September 2017 with a further 28 going through the sales process, and other applications being assessed this financial year. This report proposes an additional budget of £14.313m for 2021/22 which will, if approved, provide for the purchase of approximately 60 more properties. The council will continue to look at purchasing affordable housing units supplied as part of new housing developments in the city (typically known as S106 sites) as well as making use of the increased Scheme of Delegations limit to £0.500m afforded to officers.
5. Continued purchase of homes for use under the Housing First project with a proposed budget of £4.000m set aside for the purchase of up to 18x1 bed properties and funding this from Direct Revenue Funding and borrowing as described in paragraph 4.11.
6. The provision of £3.000m has also been set aside in the capital programme for opportunities which may arise for the general acquisition of properties in the HRA. This can be used for purchases of homes to be used for General Needs or Temporary Accommodation but will be dependent on the business case, which will be subject to review by the Housing Supply Member Board and subsequently approved by Housing Committee. The funding is proposed to come from Direct Revenue Funding and borrowing as outlined in paragraph 4.12.

7. Commission new, adapted homes and ensure best use of existing adapted and/or accessible housing to promote independent living, to deliver cost benefits to health and social Care services (Children and Adults).

Priority 2: Improving Housing Quality

8. Ensure the council's landlord obligations with regards to health and safety, including continuing to review and enhance fire safety measures for residents.
9. In line with the new arrangements for the delivery of repairs in-house, a stock condition survey was undertaken in early 2020. This will allow the council to review and plan for future investment in the quality of its homes, including addressing issues that may not have been fully picked up under the existing investment and programme plans. The council will undertake a rolling 20% of surveys each year over the next five years to ensure all the council housing stock is surveyed.
10. Continue to respond to emerging guidance around building safety standards and the draft Building Safety Bill following the Grenfell Tower tragedy.
11. To work in consultation with tenants and leaseholders to agree planned and major works programmes based on updated information on our stock for the provision of planned maintenance, improvement programmes and major capital projects and develop a new Asset Management Strategy.
12. Continue to promote the Improved building, space and environmental standards in all new council homes being built to high sustainability levels.
13. Continue to improve council housing sustainability standards and maintain 100% Decent Homes Standard compliance whilst investing in other priorities that promote the health and wellbeing of residents.
14. Continue to improve the energy efficiency performance of both the council's housing stock, and from our own service delivery and other activities (e.g. future fleet procurement). To support the city's objective of becoming carbon neutral by 2030 as outlined in the Housing Action Towards Carbon Neutral 2030 Report for Housing Committee to consider.
15. Support for improvements and initiatives to reduce fuel poverty, will be maintained and enhanced where possible.
16. Improve shared areas of the council's housing estates through the environmental improvements budget to respond with greater speed to issues impacting on tenants' satisfaction with their estates and their neighbourhoods.

Priority 3: Improving Housing Support

17. Ensure that as services are reviewed, they are safe for all and that we improve accessibility of our customer facing services both in person and online.
18. Continued investment in specialist tenancy management and support services for vulnerable council housing residents and work with the Community Safety Team to resolve issues including anti-social behaviour and harassment in a timely manner.

19. Early intervention for families struggling with issues such as their housing costs and sustaining their tenancy, including through money advice and tenancy support.
20. Ensure that adaptations are carried out at the right time to support people to stay in their homes when they want to.
21. Through the use of the Transfer Incentive Scheme support tenants to 'downsize' when they choose and provide a range of options for them, including accessible tools to support decision making.
22. Improve links between seniors housing schemes and surrounding communities.
23. Ensure new housing developments include community spaces, where need is identified, and resources allow.
24. Ensure tenants continue to be supported during and after the COVID-19 pandemic.

Council Housing (HRA) Asset Management Strategy

- 3.6 The HRA Asset Management Strategy acts as a link between Housing Strategy priorities and investment programmes and reflects the Housing Committee Work Plan 2019-23. In 2016 the HRA Asset Management Strategy was agreed following extensive consultation and work with residents with an Asset Strategy Review reported to the then Housing & New Homes Committee on 20 September 2017 following the Grenfell Tower tragedy. A further update on Health & Safety was reported to Housing Committee on 13 November 2019. As outlined above, following our recent stock condition survey, we propose to work in consultation with tenants and leaseholders to develop a new Asset Management Strategy over Spring/Summer 2021 ahead of presenting to Housing Committee
- 3.7 The key objectives of the strategy are to:
 25. Provide a framework for investment and maintenance of homes and neighbourhoods to provide safe, good quality housing and support services;
 26. To invest in zero carbon initiatives to support the city's commitment of becoming carbon neutral by 2030;
 27. Ensure financial viability of the HRA in the long and the short term
- 3.8 The proposed Capital Investment Programme shown in Appendix 4 supports all of these objectives as discussed in Section 5 below.

4 HRA REVENUE BUDGET PROPOSALS 2020/21

- 4.1 The HRA is a ring-fenced account which covers the management and maintenance of council owned housing stock. This must be in balance, meaning that the authority must show in its financial planning that HRA income meets expenditure and that the HRA is consequently viable.
- 4.2 Although the HRA is not subject to the same funding constraints as the General Fund it still follows the principles of value for money and equally seeks to improve efficiency and achieve cost economies wherever possible. Benchmarking of both service quality and cost with comparator organisations is used to identify opportunities for better efficiency and service delivery.

- 4.3 The forecast spend for the HRA in 2020/21 is shown in Appendix 1 and is estimated to be £0.860m. Part of the forecast underspend has been used to create an earmarked reserve of £0.440m for responsive repairs and maintenance works in future years as approved by Policy & Resources Committee on 3 December 2020. Any further underspending in the Repairs and Maintenance Service between now and the end of the financial year will be used to top-up this reserve, subject to business needs. This will be used to support the delivery of the repairs and maintenance programme during 2021/22 to catch-up on repairs not completed in this financial year due to the impact of Covid-19. The remainder of any underspend currently estimated at £0.420m will contribute to the sustainability and retrofit reserve.
- 4.4 The proposed HRA budget for 2021/22 is shown in Appendix 2 with the main budget variations, areas for investment and other changes in resources shown below.

Investments and Re-investments

- 4.5 The budget provides funding of £1.320m for the following new priority areas for investment (detailed in Appendix 2, note 3):
1. An investment of £0.220m to increase resources by a further 4.7 full time equivalent (FTE) posts to deliver the in-house Repairs & Maintenance Service during 2021/22 and beyond.
 2. An increase in salary on-costs of £0.350m is required to meet the uptake of the Local Government Pension Scheme and the actual cost of staff allowances, compared to the budget assumptions for 2020/21 following the TUPE transfer of staff from Mears.
 3. A one- year investment of £0.437m to keep the transition team in place to deliver the final phase of the delivery of the in-house Repairs & Maintenance Service. This includes priority work on harmonisation of staff terms and conditions; procuring a works management system; procuring a materials supply chain; setting up a supply chain for repairs and maintenance contractors; out of hours call centre; and vehicle fleet procurement. In addition, the transition team are responsible for major works contractor procurement and framework set up.
 4. The budget includes a provision of £0.163m for an additional 1.81 FTE in Property & Investment and the costs of consultancy services to carry out a review of the new building safety guidance. This investment will enable the council to fully understand and start to implement the complex legal and regulatory changes following the publication of the draft Building Safety Bill following the Grenfell Tower tragedy. Future costs of delivering this will be worked up during 2021/22, it is anticipated there will be significant revenue and capital costs that need to be considered in order to deliver the required changes.
 5. An investment of £0.050m toward 2 FTE to work on achieving our priorities of carbon reductions and sustainability in housing, including addressing fuel poverty and setting ambitious fuel poverty targets. This is the net increase in budget requirement following a review of the current structure and budget in place. In addition to this a further one year investment of £0.025m is provided for consultancy work to advise the council on the

measures required to implement the carbon reduction and sustainability measures on council housing stock and to ensure all necessary due diligence is undertaken.

6. An investment of £0.075m is required to increase the budget for the extra legal costs involved with the disrepair claims made under the 'Homes (Fitness for Human Habitation) Act 2018' following its introduction on 31 March 2019. The rise is due to the publicity around these from 'no win, no fee' legal practices who are targeting social housing tenants.

Other Key Changes

- 4.6 The 2021/22 budget also provides for a range of other inflationary costs, pressures and income. These changes in resources are listed under 'Other Changes' in Appendix 2 and are described in Note 4.
- 4.7 The Estates Development Budget (EDB) is no longer part of the HRA capital programme but has been transferred into the revenue budget with no reduction in resources available. Examination of expenditure over a number of years indicated that the majority of expenditure has been of a revenue nature and therefore this year the revenue budget includes £0.247m for EDB within the employee and supplies & services headings as this service transferred in-house from Mears during 2020/21. The current budget strategy uses EDB reserves of £0.240m to support this, augmenting this budget to a total of £0.487m for 2021/22 if necessary. A reserves table is shown in Appendix 2 (note 4).
- 4.8 The budget proposals include a decrease in leaseholder service charge income of £2.653m. This reflects the volume of work that will be billed in 2021/22 following a full review of the works forecast to be completed by March 2021. A number of projects will not have been completed this financial year and the associated service charges will be adjusted and billed to leaseholders in September 2021. As previously reported to members, the procurement of planned and major works contracts was paused and delayed owing to Covid-19. The pandemic has also impacted on progress of projects that were on site.
- 4.9 The budget proposes the continuation of the funding of up to £0.040m for adult learning services to support ongoing work across council housing estates. Area panels will be consulted prior to the start of the new academic year. The outcome of this consultation will determine the level of contribution; however it will not exceed £0.040m.
- 4.10 The net revenue budget results in an initial surplus of £21.500m which is then used to provide 'Direct Revenue Funding' (shown within expenditure at Appendix 2) in support of the capital programme discussed in section 5 of this report.
- 4.11 The Direct Revenue Funding which is required to fund the investment in existing homes is £15.610m. This leaves a balance in funding resources of £5.890m for use against other housing initiatives during 2021/22 and beyond. To ensure the good progress continues with the Housing First home purchases it is proposed to use £1.200m of this balance to fund 30% of a new £4.000m budget included in the capital programme (Appendix 4) with the remainder being funded from HRA borrowing. This will enable the purchase of up to 18x1 bed properties, ensuring the borrowing required can be repaid from the new

rental income. There is the potential that further Government funding will also be made available to fund the delivery of Housing First properties, where this is the case this will continue to be optimised and used to deliver these properties. There is revenue funding in Adult Social Care budgets for this service in place already for an additional 10 homes with the remaining 8 homes subject to additional resources being sought during the year.

- 4.12 To continue the new provision of affordable housing at pace, a budget of £3.000m has been included for purchases of homes outside of the Home Purchase Policy and Housing First; this would allow between 10-15 purchases, depending on the price agreed. To fund this, it is proposed to fund £0.680m from the available Direct Revenue Funding and the balance from HRA borrowing. This ensures that the purchases will remain viable in the long term for the HRA.
- 4.13 The remaining £4.010m of Direct Revenue Funding in an earmarked reserve. This reserve will be used to fund the cost of delivering sustainability initiatives in the HRA in relation to the city's target of achieving zero carbon status by 2030 and retrofit work required on existing housing stock. These costs are likely to be substantial over the coming years and the HRA need to be setting aside resources in order to deal with this.
- 4.14 The impact of using the Direct Revenue Funding in this manner is that the borrowing requirement for 2022/23 increases. However, most treasury experts expect the interest rate outlook to remain low for at least 24 months and therefore this is sustainable within the HRA financial plan based on current assumptions. A review of the HRA's reserves and borrowing position will be carried out on an annual basis and reported in accordance with the financial regulations and procedures.

Rents and Service Charges

- 4.15 Social rents for council homes are calculated in accordance with government guidelines. Rent restructuring rules still apply and Target Rents for each property are calculated based on the relative property values, bedroom size and local earnings. Target Rents will apply to the granting of all new tenancies. The MHCLG announced an increase to social housing rents limited to the September Consumer Price Index (CPI) plus 1% for 5 years from 2020/21. The CPI at September 2020 was 0.5% and therefore this budget proposes rent increases of a maximum of 1.5%. When setting the affordable rents and living wage rents for individual properties consideration is given to the prevailing rates for LHA and the living wage for the new financial year. This is compared against the 1.5% increase to ensure they do not exceed the agreed uplift.
- 4.16 Last year was the first year of rent increases following a period of an annual 1% rent reduction for the 4 years prior to 2020/21. This means that for 2021/22, the average rent will increase from £86.36 to £88.18, an average rent increase of £1.82 per week. This is identified in Appendix 2 (note 4).
- 4.17 Rents are not calculated to consider any service charges and only include charges associated with the occupation of a dwelling, such as maintenance of the building and general housing management services. Service charges are therefore calculated to reflect additional services which may not be provided to every tenant or which may relate to communal facilities rather than to a specific

occupation of a house or flat. Different tenants may receive different types of services reflecting their housing circumstances. All current service charges are reviewed annually to ensure full cost recovery and to identify any service efficiencies which can be offset against inflationary increases, to keep increases to a minimum. The proposed fees and service charges for 2021/22 are set out in Appendix 3.

- 4.18 For 2021/22, most service charge increases are close to the current levels of cost inflation for the individual services. Heating charges are calculated to take account of changes in consumption as well as any price changes from the energy companies. On average, communal heating charges are proposed to increase by 1.6% for those with electric heating systems and decrease by 0.5% for blocks with communal gas boilers but changes in the service charges to individual blocks will vary from a reduction of £0.70p per week to an increase of £0.49p per week. Appendix 3 shows the estimated average service charge paid per week for each service and the average increase.

Reserves position and one-off funding

- 4.19 The projected level of general HRA reserves at 1 April 2021 and 31 March 2022 are shown in Appendix 2 (note 5). A minimum reserve of £3.000m is recommended to meet general legal and financial risks including higher than expected inflationary pressures, cost overruns, legal challenges and other contingencies. After taking this into account, current estimates mean that the level of usable reserves will be £5.466m at 1st April 2021. This is being held at this level in addition to the minimum reserve to allow for the following costs and uncertainties:
7. One off funding in 2021/22 for the adult learning services provision of £0.040m.
 8. One off funding in 2021/22 for the investment in ICT project of £0.150m resources to bring forward the projects to replace the Asset Management System and Works Management System.
 9. The cost of the harmonisation of staffing contracts across the in-house service are unknown at this time. A full review of the on-going cost implications of this will be undertaken during 2021/22 for inclusion in the base budget for 2022/23.
 10. Levels of investment that may be required as a result of the outcome of the draft Safety Bill and the recommendations of the “Building a Safer Future” programme delivered by Ministry of Housing, Communities and Local Government (MHCLG) to improve safety and minimise the risk of fire in high rise buildings. The capital programme already includes £1.000m for new fire doors and £1.200m for sprinklers (installation of any sprinkler system is subject to consultation with residents);
 11. Cost of contract harmonisation following the TUPE of staff from Mears. Future costs will be built into the base budget as per paragraph 4.6.
 12. There are general risks around the stock condition which could give rise to a short term financial impact. The Social Housing white paper “The charter for social housing residents” indicates government will review the Decent Homes standard to consider if it should be updated. Future changes may impact on the required investment levels in order to maintain 100% compliance with the standard.

- 4.20 Other reserves are in place to support specific areas of spend within the HRA, these can be found Appendix 2 to this report.
- 4.21 The council's Section 151 Chief Finance Officer has reviewed the level of reserves and provisions in accordance with the principles of Section 25 of the Local Government Act 2003 and considers them to be adequate and reasonable for their purpose in the context of the removal of the debt cap and the self-financing mechanism applicable to the HRA.
- 4.22 The Housing Committee Work Plan priorities include consultation with tenants and residents to develop the following: a 'decent environment' standard; a policy for extending participatory budgeting; and a fire safety programme. These priorities as well as ongoing service reviews will continue to be undertaken in 2021/22 to ensure that resources accounted for in the HRA budget are set correctly, that Value for Money is being provided and that we are meeting the needs of our residents. Where it is deemed that additional resources are required to further improve a service, an individual business case will need to be approved. Within the current resources there is the flexibility to switch resources where necessary whilst keeping core services running. Any major changes in budget resources during the year will come back to Committee.

5 HRA CAPITAL PROGRAMME 2020/21

- 5.1 The Capital Programme targets investments that will ensure that the HRA maintains and improves, where possible, the quality of housing in line with the Asset Management Strategy outlined in section 3 above.
- 5.2 The Housing Capital Programme seeks to provide substantial investment in the council's housing stock and improve the quality of homes. The implementation of the proposed programme will take account of all relevant best practice guidelines and has been informed by the priorities agreed in the Housing Committee Work Plan (2019-23), HRA Asset Management Strategy and the Asset Strategy Review report to Housing & New Homes Committee 20 September 2017. The Programme also reflects the delivery of planned maintenance, improvement programmes and major capital projects to council housing stock.
- 5.3 The council has faced significant challenges this financial year in the delivery of planned and major works capital programmes. As previously reported to Housing Committee, due to the Covid-19 outbreak planned works procurement was paused on 18 March 2020, recommending on 15 June 2020. This significantly delayed completion of procurement and mobilisation of our planned maintenance and improvement works programme. The procurement of a multi-contractor framework for major capital works was impacted upon by the need to focus resources on the planned works procurement along with a delay due to Covid-19. Planned and major works programmes already on site were also delayed due to the pandemic. In light of this and the challenges that the COVID-19 pandemic continues to present, a review has been undertaken of the capital investment programme to ensure the correct level of investment is proposed to maintain and improve stock to the required standard but also provide a programme that is deliverable during the next financial year.

- 5.4 This report recommends that for 2021/22, a budget of £15.610m is approved for investment in existing housing stock and a further £22.635m for the supply of new affordable housing.
- 5.5 The proposed 2021/22 budget for investment in existing housing stock is lower than last year's budget as a result of the due diligence work which continues to be undertaken on new contracts and managing this through the COVID-19 pandemic. To ensure that priority is given to key areas such as Health & Safety, a review has been carried out of the 3 year capital programme outlined in appendix 4. This has meant that there has been some smoothing of expenditure from year 1 to years 2 and 3 to present a programme that is deliverable, whilst maintaining the investment in stock that is required.
- 5.6 The review needed to consider the reprofiled budget of £9.520m from 2020/21 as reported in the month 7 Budget Monitoring Report to P&R Committee. Therefore, the total investment programme for 2021/22 is £25.280m.
- 5.7 The level of investment in existing stock over the next 3 financial years however, totals £79.680m, this sees an increase of £8.453m from last year's 3 year budget estimate.
- 5.8 The total proposed programme for 2021/22 and the funding arrangements totalling £69.819m are shown in Appendix 4. This programme includes budget of £31.424m that has already been approved, for example, where individual scheme approval has been sought for new build schemes or where budgets for existing schemes have been reprofiled, as approved by Policy & Resources Committee. It is proposed to use the capital reserve of £2.900m set aside during the 2020/21 HRA budget report to fund part of the proposed 2021/22 capital programme.
- 5.9 The 2021/22 programme continues to prioritise the council's landlord obligations with regards to health and safety, including continuing to review and enhance fire safety measures for residents and those visiting or working on council homes. This is a key responsibility and, as such, through the capital programme proposals, it is ensured that the investment required is maintained and made available ahead of other investment decisions. This includes good practice procedures and resources to support the management of asbestos, fire risk, legionella, gas and electrical equipment, amongst others. This budget continues to support funding for enhanced works to reduce fire risk.
- 5.10 The Capital Programme is a key part of implementing the main aims of the long-term asset management approach, which aims to maximise investment in homes and support reductions in responsive repairs need whilst providing safe, good quality housing and support services, and also supporting new housing supply and financial viability for the HRA.
- 5.11 Other assets, such as car parks and garages, receive investment to ensure both health and safety compliance and best use of these assets. There is a review being undertaken of the garages and car parks held in the HRA, this will include a review of the investment required to maintain them in future years to ensure that it is set at the correct level.
- 5.12 Based on feedback from residents on their priorities, the programme continues the commitment to invest in environmental improvements to estates, external and common way repairs and decorations across the city subject to resident

consultation and analysis of information to establish if replacement works are necessary.

- 5.13 The approved capital programme for 2020/21 included investment in environmental improvements around estates of £0.400m. A total budget of £0.500m was approved for this work, £0.400m in the capital programme and £0.100m in revenue. This level of investment continues in the proposals for 2021/22, however, this budget proposes that £0.280m is included in the capital programme and £0.220m in the revenue budget, given the nature of spend to date.
- 5.14 As well as works relating to general environmental improvements outlined above. An investment of £0.510m over the next 3 financial years to refurbish 10 out of the 15 HRA owned playgrounds is included, subject to approval of the report to the Environment, Transport and Sustainability (ETS) committee on 19th January 2021. If this proposal is not approved at ETS committee the capital investment will reduce and therefore make those resources available for any in year approved business cases brought forward.
- 5.15 The Housing Fire Health & Safety Update report to Housing & New Homes Committee on 19 September 2018 updated members on the continued joint work with East Sussex Fire & Rescue Service (ESFRS) in response to housing fire health & safety matters arising following the Grenfell Tower tragedy. In particular, concerning fire doors and sprinklers. In light of this, the programme continues to provide investment of £2.510m in 2021/22, £2.420m in 2022/23 and £1.710m in 2023/24 for potential additional works arising from the government's review of the Grenfell fire tragedy. This is also supported by the delivery of a new contract for the replacement of doors.
- 5.16 Helping residents to live in well-insulated, efficiently heated, healthy homes remains a key long-term commitment, which is supported through the capital programme and setting aside of resources in a reserve. Past progress on achieving this has been consistently good, with national Standard Assessment Procedure (SAP) energy rating performance monitoring being used to benchmark these. Key investments that contribute to these include installing energy efficient heating systems, high efficiency boilers, heating controls, efficient doors, windows, insulation and renewable or community energy schemes, where appropriate. In line with the Housing Committee Work Plan, the council will work collaboratively to ensure housing contributes to making the city carbon neutral by 2030. as outlined in the Housing action towards Carbon Neutral 2030 report presented to Housing Committee.
- 5.17 A report presented to the June 2020 Housing Committee received approval for budget of £1.750m to deliver new Solar PV panels across the housing stock, this has been included in the budget proposals outlined in appendix 4. In addition to this capital programme includes the budget to increase the supply further subject to a report being presented to Housing Committee no later than the fourth quarter of 2021 i.e. ahead of 2022 Budget Council. It is recognised that further allocation within the budget may be required.
- 5.18 Investment also includes £2.540m in 2021/22 to replace old inefficient heating systems and £1,100m to install a district heating network at Elwyn Jones Court. A further £4.800m over the following two years is also provided to continue to

replace inefficient heating systems across all stock and to consider a range of opportunities to improve the energy rating of the council stock and to identify projects that will help to contribute to the target of being carbon neutral by 2030

6 HRA MEDIUM TERM & 30 YEAR FINANCIAL FORECASTS

- 6.1 The introduction of self-financing in 2012 provided additional resources from the retention of all rental income and, through greater control locally, enabled longer term planning to improve the management and maintenance of council homes.
- 6.2 The medium term and 30 year financial forecasts are provided in Appendix 5 along with the business planning assumptions used for income and expenditure.
- 6.3 Since the Government removed the restrictions on borrowing in the HRA in October 2018, the council has developed plans to build and purchase additional council homes in the City. The current plans to deliver at least 800 additional council homes in the city by April 2023 have been incorporated in the capital programme 2021/22 – 2023/24 where scheme approval has already been given as well as those schemes in the pipeline in the 30 Year business plan.
- 6.4 Essentially, the financial plan shows that the HRA has healthy financial indicators to borrow to source future funding for regeneration and development. However, any borrowing must remain affordable. This means that each scheme should be funded either from the new rental stream (net of any management and maintenance costs), set aside resources or from current tenants' rents, rent rebates (Housing Benefits) and service charges. The current 30 year forecast assumes the building and purchasing of new homes in the next five years to 2025/26 will be in line with the pipeline shown in Appendix 5. This includes projects that will be presented to future Housing Committees and Policy & Resources Committees for final scheme and budget approval
- 6.5 Revenue reserves have been maintained in the business plan at a minimum set out in paragraph 4.19 for the time being, but this will be revised annually, this is to ensure that there are sufficient reserves in place to help fund the cost of complying with the new Building Safety Bill and any harmonisation costs associated with the new house Repairs & Maintenance Service. A working balance of £3.000m will be maintained as a minimum during the course of the 30 year business plan.
- 6.6 The MHCLG announced an increase to social housing rents limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020/21. Therefore, the 30 year business plan shown at Appendix 5 assumes rent increases of CPI plus 1% for 4 years from 2021/22 and increases at CPI thereafter. Assuming other factors remain stable, this will help to sustain the HRA in the medium term.

7 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 7.1 The budget process allows all parties to engage in the scrutiny of budget proposals and put forward viable alternative budget proposals to Budget Council on 25 February 2021. Budget Council has the opportunity to debate

both the proposals recommended by Policy & Resources Committee at the same time as any viable alternative proposals.

The government annually sets a limit rent, set to include CPI plus 1% increase, which is used to determine how much housing benefit subsidy is received from the Department for Work and Pensions. Rises above the limit rent would reduce the amount of subsidy receivable by the council.

8 COMMUNITY ENGAGEMENT & CONSULTATION

- 8.1 Consultation with tenant representatives on the Citywide Conference group on how budget consultation might be undertaken concluded that, in view of Covid-19 restrictions and timescales, rather than attempt to do something this year that would not be very inclusive, planning would start now for earlier, prolonged, and more inclusive consultations regarding next year's budget. Information about the budget would however be shared with residents, and the Estate Development Budget, over which residents have control, would remain intact. Ideas were gathered regarding the content, style and methods for consultation work from the spring of next year, and residents in the meeting are keen to continue to shape this work.
- 8.2 In the meantime, the Council will continue to use information gleaned from the various areas of tenant feedback over the past two years, as well as safety priorities and asset management data to inform budget priorities.

9 CONCLUSION

- 9.1 The Local Government and Housing Act 1989 requires each local authority to formulate proposals relating to income from rent and charges, expenditure on repairs, maintenance, supervision and management, capital expenditure and any other prescribed matters in respect of the HRA. In formulating these proposals using best estimates and assumptions, the Authority must set a balanced account. This budget report provides a capital programme, break-even revenue budget and recommends rent proposals in line with current government guidance.
- 9.2 This report also provides the latest medium and long term forecasts for the HRA. However, there are a number of uncertainties due to impending government legislation, which mean that the current forecasts should be treated with caution.

10 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 10.1 The financial implications are contained within the main body of the report.

Finance Officer Consulted: Craig Garoghan

Date: 08/01/2020

Legal Implications:

- 10.2 In its landlord role, the council has contractual obligations to its tenants and leaseholders to maintain the structure of its housing stock. These obligations are complemented by statutory duties in the Landlord and Tenant Act 1985 as amended. The council must comply with other statutory regimes, including those relating to health and safety, legionella and fire safety. It is likely that

further statutory requirements will be imposed if the Building Safety Bill and Fire Safety Bill currently making their way through Parliament are enacted. The measures outlined in the report will assist the council in discharging those duties.

The Housing and Local Government Act 1989 regulates the HRA. The requirement in the Act to set a balanced budget is referenced in sections 4.1 and 9.1 of the report.

Lawyer Consulted: Liz Woodley

Date: 16/12/2020

Equalities Implications:

- 10.3 The HRA budget funds services to people with a range of needs including related to age, vulnerability or health. All capital programme projects undertaken include full consideration of various equality issues and specifically the implications of the Equality Act. To ensure that the equality impact of budget proposals are fully considered as part of the decision making process, equality impact assessments have been developed on specific areas where required.

Sustainability Implications:

- 10.4 The HRA budget will fund a range of measures and contribute to a reserve to fund future sustainability initiatives in the HRA and retrofit works required that will benefit and sustain the local environment. This capital programme supports the affordable warmth and fuel poverty strategy brought forward from Public Health. Housing is a key contributor to the Carbon Emissions reduction commitment to make the city carbon neutral by 2030. The proposals will help to reduce the number of residents affected by fuel poverty and rising energy costs.
- 10.5 Project briefs are issued on all capital projects and require due consideration of sustainability issues, including energy conservation and procurement of materials from managed and sustainable sources.

Any other Significant Implications:

- 10.6 Financial risks have been assessed throughout the development of the council's HRA annual budget and 30 year financial model. A number of key sensitivities and scenarios are modelled to ensure that the service understands the business impact of decision making and include areas such as:
2. Impacts of the government's Housing & Planning Act and Welfare Reform legislation;
 3. Potential impact of any post Grenfell tragedy review of building regulations and / or standards;
 4. Inflationary risk where expenditure inflation is greater than income, particularly the risks around build cost inflation and future governments social rent policy;
 5. Managing interest rate fluctuations and the debt portfolio;
 6. Long term capital and maintenance responsibilities compared with available resources;

7. Balancing regeneration and redevelopment needs with tenants' priorities.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1: HRA Revenue Forecast Outturn 2020/21 (Month 7)
- 11 Appendix 2: HRA Budget 2021/22
- 12 Appendix 3: Fees and Service Charges 2021/22
- 13 Appendix 4: Capital Programme and Funding 2021/22 – 2023/24
- 14 Appendix 5: HRA Medium Term Financial Strategy & 30 Year Financial Forecast

Documents in Members' Rooms

None

Background Documents

None

