

Subject:	Housing Revenue Account Budget & Capital Investment Programme 2022/23 and Medium-Term Financial Strategy		
Date of Meeting:	24 February 2022 10 February 2022 – Policy & Resources Committee 19 January 2022 – Housing Committee		
Report of:	Chief Finance Officer Executive Director for Housing, Neighbourhoods & Communities		
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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 2022/23 as required by the Local Government & Housing Act 1989. Members are required to consider the revenue budget proposals including investments and re-investments 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 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.
- 1.3 Although the HRA is not subject to the same funding constraints as the General Fund, it is a ring-fenced account within the General Fund and 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 costs with comparator organisations is used to identify opportunities for better economy, efficiency and service delivery.
- 1.4 Investment continues within the HRA to ensure council homes are safe and 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 2022/23 is a total of £85.077m covering the following areas:
 - £56.128m on Delivery of New Council Homes

- £20.335m on Improving Housing Quality & Standards
- £4.457m on Sustainability & Carbon Reduction
- £2.915m on Tackling Inequality
- £1.242m on Supporting well-run services for the city

2 RECOMMENDATIONS:

That the Housing Committee:

- 2.1 Approves a rent increase of up to 4.1% in line with government legislation as detailed in paragraph 4.9 of the report.
- 2.2 Approves the service charges and fees as detailed in Appendix 2 to the report.
- 2.3 Notes the Medium-Term Financial Strategy and 30-year financial projections shown in Appendix 4 to the report.

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

- 2.4 That the updated HRA Revenue Budget for 2022/23 as shown in Appendix 1 to the report be agreed and recommended to full Council for approval;
- 2.5 That an earmarked reserve of £1.500m for the Covid-19 recovery work required to clear the backlog of responsive repairs and voids be set up as per paragraph 5.1 of the main report.
- 2.6 That a contribution to the rent reduction reserve of £1.200m be made from the general reserves held by the HRA as per paragraph 5.1 of the main report.
- 2.7 That a contribution to the Sustainability and Retrofit reserve of £1.200m be made from the general reserves held by the HRA as per paragraph 5.1 of the main report.
- 2.8 That the Capital Programme Budget of £85.077m for 2022/23 be agreed and notes the 3-year programme as set out in Appendix 4 to the report and recommended to full Council for approval; and

That Full Council:

- 2.9 Approves the updated HRA Revenue Budget for 2022/23 as shown in Appendix 1 to the report.
- 2.10 Approves the Capital Programme Budget of £85.077m for 2022/23 and notes the 3-year programme as set out in Appendix 3 to the report.

3 HRA BUDGET STRATEGY

- 3.1 The HRA Budget aims to balance the priorities of both the council and council housing residents within the context of the council's Housing Strategy, HRA Asset Management Strategy and the Housing Committee's priorities and work plan 2019-23 which set out the overall direction for Housing in the city over the 4-year period. As well as these commitments, the budget strategy anticipates the significant legal and regulatory changes we expect to follow from the post Grenfell review of building safety through the Building Safety Bill and the proposals that will change how social landlords operate encompassed in the Social Housing White Paper. The investment required on these items is still evolving, and as a result the revenue and

capital budgets as well as the reserves position outlined in the paper may require adjustment in 2022/23 and/or later years.

- 3.2 The Budget Strategy also reflects the council's decisions, following extensive consultation, concerning the delivery of customer service, quality assurance, responsive repairs, and empty property refurbishments, planned maintenance and improvement programmes, and major capital projects to council housing stock following the expiry of the previous contractual arrangements in March 2020. Most significantly, this included the insourcing of the Housing Repairs & Maintenance service.

Housing Committee Priorities and Work Plan – 2019-2023

- 3.3 The priorities and work plan for the Housing Committee and Housing service for the four years between 2019-2023 were agreed in September 2019 in order to inform future reporting to Committee on: key areas of officer focus and delivery; budget strategy, asset review, investment plans and resource allocation; resident engagement and formal consultation; engagement and consultation with partners and key stakeholders.
- 3.4 Key priorities of the Work Plan in relation to the Housing Revenue Account Budget & Capital Investment Programme 2022/23 are:

Priority 1: Improving Housing Supply

To respond to the opportunities to increase housing supply following the lifting of the HRA borrowing cap and deliver new council homes utilising the cross-directorate housing delivery team to drive projects forward. Since May 2019 there have been 270 additional council homes delivered through the New Homes for Neighbourhoods, Hidden Homes, and the Home Purchase programme. There are a further 276 new council homes currently on target to be delivered by May 2023, this will be achieved by:

1. Continuing to deliver new build projects under the 'New Homes for Neighbourhoods' programme.
2. Maintaining the Hidden Homes programme to refurbish and convert under used or unused spaces within existing council stock into new homes.
3. Where needs are assessed, creating a 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.
4. Purchasing homes under the 'Home Purchase Policy' and seeking opportunities to purchase homes supplied as part of new housing developments in the city, typically known as 'S106 sites.
5. Commissioning new, adapted homes and ensuring best use of existing adapted / accessible housing in order to promote independent living, which has been demonstrated to deliver significant cost benefits.
6. Supporting households wanting to downsize to increase the supply of available family housing.

Priority 2: Improving Housing Quality

7. Continue to meet the council's landlord obligations with regards to health and safety, including continuing to review and enhance fire safety measures for residents.
8. Review and plan for future investment by utilising the results of the Stock Condition Survey of housing stock which was undertaken in early 2020. The council will continue to undertake a rolling 20% of surveys each year over the next five years to ensure all the council housing stock is surveyed.
9. Continue to respond to emerging guidance around building safety standards and the draft Building Safety Bill following the Grenfell Tower tragedy.
10. Anticipate emerging guidance arising from Social Housing White paper, including a review of the Decent Homes Standard, which sets the minimum quality that social homes should meet, and more consistency in safety measures across social and private rented housing.
11. To work in consultation with tenants and leaseholders to agree planned maintenance, improvement programmes and major capital projects based on updated information on our stock.
12. Continue to promote the highest possible 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 seek to maintain 100% achievement of the council's housing stock meeting the Decent Homes Standard 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 activities (e.g. Transport). To support the city's objective of becoming carbon neutral by 2030.
15. Support for improvements and initiatives to reduce fuel poverty will be maintained and enhanced where possible.
16. Support early actions to improve public areas of the council's housing estates through the environmental improvements budget to enable the council to respond with greater speed to issues impacting upon tenants' satisfaction levels with their neighbourhood as a place to live.

Priority 3: Improving Housing Support

17. Ensure that as services are reviewed, they are accessible and safe for all.
18. Continue investment in specialist tenancy management and support services to support vulnerable council housing residents and work with Community Safety to resolve housing issues and harassment in a timely manner.
19. Early intervention for families struggling with accommodation, including 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. Support people to 'downsize' when they choose and provide a range of options for them, including accessible tools to support decision making.
22. Promote better links between seniors housing schemes and surrounding communities.
23. Ensure new housing development includes community spaces, where need is identified, and resources allow.

- 24. Ensure the new repairs and maintenance service meets the needs of tenants and leaseholders.
- 25. Ensure tenants continue to be supported during and after the effects of the COVID-19 pandemic.

4 HRA REVENUE BUDGET PROPOSALS 2022/23

- 4.1 The proposed HRA budget for 2022/23 is shown in Appendix 1 alongside the main budget variations, areas for investment and other changes in resources.
- 4.2 The 2022/23 budget provides for a range of inflationary costs, investments and income.
- 4.3 Inflation of 2% has been applied to Direct Employees, and 1% to Premises, Transport and Supplies & Services. Adjustments are made to specific areas based on known data, which can be above or below the standard 1% applied. Most income budgets are zero-based (that is they are recalculated each year rather than changing incrementally) and therefore budgets are estimated based on known increases in costs or inflation. Total expenditure inflation provided for is £0.998m and income inflation of £2.496m.

Investments

- 4.4 The budget provides new investment of £3.465m for priority areas identified, these are detailed in table 1 below.

Table 1 - Identified priority areas for investment	£'000
A review for the cost of repairs & maintenance was undertaken. This identified that there is a potential pressure coming from external sources i.e. inflation and cost of sub-contractors resulting in a requirement to increase costs associated with the new contractor's framework for repairs and maintenance.	1,218
A review for the cost of voids was undertaken. This identified that there is a potential pressure coming from external sources i.e. inflation and cost of sub-contractors resulting in a requirement to increase costs associated with the new contractor's framework for voids.	754
The cost of harmonisation of staff contracts was met from reserves during 2021/22 due to uncertainty around the final costs. The cost has been reviewed and is now recognised as part of the main budget for repairs & maintenance with this amount relating to staff transferred from Mears.	520
Additional investment required for the vacancies held by Mears upon transfer these are being recruited in order to deliver the repairs & maintenance service following the decision to bring the service back in house. These are costs linked to the harmonisation of contracts for those vacant posts at the time of transfer.	263
Net increase in salary costs to reflect the new agreed structure within the HRA to meet the latest key priorities.	217
Investment for an additional year for the Transition team including a key procurement role to continue to assist with the continued implementation of the in house Repairs and Maintenance Service.	230

Table 1 - Identified priority areas for investment	£'000
Increased investment in staffing costs to ensure statutory Health & Safety works are carried out on tenants' homes.	178
The Housing service entered into a twenty-year lease agreement with Aviva Investors for the Housing Centre on 2 July 2010, expiring on 1 July 2030. The lease allows for rent reviews every five years, the latest of which was undertaken in July 2020. Based on current market conditions a negotiated figure of £85k increase was agreed bringing the total rent payable up to £270k and was seen a reasonable increase to accept from the council's corporate Estates Team.	85
Total investments	3,465

Other Key Changes

- 4.5 The 2021/22 budget also provides for a range of other changes in expenditure and income. These are outlined in the table below and in Appendix 1 to this report.

Table 2 - Other Changes to resources	£'000
Increase in Employers National Insurance contributions of 1.25%.	171
Increase in the capitalisation of Salaries following a review of the capital projects being undertaken during 2022/23.	(440)
Estimated increase in the cost of Responsive Repairs and Voids works in relation to the Temporary Accommodation units held within the HRA. This is a result of the number of HRA Temporary Accommodation units increasing during 2021/22.	103
Net increase in other minor budget changes.	64
Net decrease in Revenue Contribution to Capital.	(1,774)
Net decrease in financing costs.	(182)
Net increase in rental income from the new homes' rents.	(461)
Net increase in Service charge income from council tenants to recover costs.	(344)
Change in the treatment of Leaseholder Major Work income. Historically this has formed part of the revenue budget figures and results in adjustments year-on-year to reflect major works completed on leasehold properties. This change will see this income treated as capital funding and will be reported in the capital programme tables instead. This income will be managed on the HRA Balance Sheet.	896
Total Other Changes	(1,967)

- 4.6 The net revenue budget results in a 'surplus' of £19.867m which is then used to provide the Revenue Contribution to Capital (shown within expenditure at Appendix 1) in support of the capital programme.
- 4.7 This surplus is not sufficient to meet the capital investment in existing homes during 2022/23 as outlined in Appendix 3 to this report. The impact of this means that borrowing will be required to meet this level of investment. The resources available to fund the capital programme will be kept under review during the financial year and any borrowing decision will be made in line with treasury experts' advice. A

review of the HRA’s reserves and borrowing position will be carried out on a regular basis and reported in accordance with the council’s financial regulations and procedures.

Rents and Service Charges

- 4.8 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, the Target Rents will apply to the granting of all new tenancies.
- 4.9 The rent policy allows for up to Consumer Price Index (CPI) at the previous September rate +1% to be applied to rents over a 5 year period, 2022/23 is the third year where this is allowable. Therefore the proposal is to uplift the rents by a maximum of 4.1%, CPI at September 2021 was 3.1%. The table below provides the breakdown of the average rent increase across the 4 rent levels included within the HRA’s rent policy.

Rent Type	21/22 Average weekly rent £	22/23 Average weekly rent £	% Increase
Social	86.65	90.20	4.1%
27.5% LW	129.30	134.60	4.1%
37.5% LW	174.83	182.00	4.1%
LHA	174.24	174.24	0.0%

- 4.10 When setting the Affordable rents and Living Wage rents for individual properties, consideration is given to the prevailing rates for Local Housing Allowance (LHA) and the national living wage for the new financial year. This is compared against the 4.1% increase to ensure they do not exceed the permitted uplift.
- 4.11 Rents are not calculated to include 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 2022/23 are set out in Appendix 2.

5 HRA RESERVES and one-off funding 2022/23

- 5.1 The projected level of HRA reserves at 1st April 2022 and 31 March 2023 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 are estimated to be £4.347m at 1st April 2022. From this, the proposal is to earmark £3.900m for specific purposes (see points 1 to 3 below) and the remaining £0.447m

will be available for general use and its potential use to fund uncertainties the HRA is currently facing (see points 3 and 4 below).

1. Financial risk relating to the post pandemic backlog of responsive repairs works is a significant financial issue for 2022/23. Whilst revenue budgets have been increased to reflect an increase in the contract and material costs for business as usual in 2022/23, there is still a need to clear the Covid-19 related backlog of responsive repairs works, this requires funding from reserves. Following a review of the service needs and other financial management measures, an estimate for the cost of the backlog of works is £1.500m; this needs to be earmarked within the reserves to ensure one-off funding is available during the year to cope with this pressure.
2. It is anticipated that the reserves set aside to assist with delivering new homes at either social rent or at 27.5% Living Wage rent levels will be exhausted by April 2022. In order to continue this programme under current policies it is considered prudent to earmark £1.200m from general reserves for this use. This will need to be kept under review in line with the work required around assessing the strategic housing needs across Brighton & Hove during 2022. This piece of work will determine the approach required for the delivery of new affordable housing in the city and the extent to which this reserve is required.
3. In the 2020/21 budget an earmarked reserve £4.010m was set up used to contribute to funding 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. A new retrofit task force in partnership with neighbouring authorities, linked to the Greater Brighton Economic Board, is underway to review the investment required for sustainability measures as well as the funding that may become available from Central Government. To further contribute to the funding of future sustainability and retrofit works an additional £1.200m has been earmarked from general reserves, this reserve will be kept under review based on the outcome of the work resulting from the retrofit task force.
4. Additional investment is highly likely to be required as a result of the outcome of the draft Building Safety Bill and the recommendations of the "Building a Safer Future" programme delivered by the Department of Levelling Up, Housing & Communities (DLUHC) to improve safety and minimise the risk of fire in high rise buildings. The nature and cost of this investment remains unknown, and officers will review the financial position as this becomes clearer and assess all financing options available.
5. There are also risks associated with the general 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. The Social Housing White paper and related consultation also considers other health & safety improvements. The nature and cost of this investment is also unknown, officers will review the financial position as this becomes clearer and assess all financing options available.

- 5.2 Other reserves are in place to support specific areas of spend within the HRA, a list of all reserves can be found at Appendix 1 to this report.
- 5.3 General reserves are kept under review by officers and monitored in line with the increasing demands on the HRA resources to meet statutory requirements and other key priorities. The remaining £0.447m of general reserves is considered to be low in relation to identified risks but because of the nature of the reserves if funding were required urgently for health & safety works then officers can recommend that reserves are reviewed and their use switched subject to availability or, if the works required are capital in nature, works could be funded by borrowing or DRF depending on the in-year capital programme position. Changes to reserves require Policy & Resources committee approval and so would be presented accordingly if officers deemed this necessary.
- 5.4 The council's Section 151 Chief Finance Officer has reviewed the level of reserves and provisions in accordance with the requirements of Section 25 of the Local Government Act 2003 and considers them to be adequate and reasonable for their purpose.
- 5.5 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 2022/23 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 be reported to Committee.

6 HRA CAPITAL PROGRAMME 2022/23

- 6.1 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 current HRA Asset Management Strategy and the Asset Strategy Review. The service is finalising the draft HRA Asset Management Strategy 2022-27 ahead of resident consultation. The Programme also reflects the delivery of planned maintenance, improvement programmes and major capital projects to council housing stock.
- 6.2 The council has continued to face significant challenges this financial year in the delivery of its repairs and maintenance service and planned maintenance and improvement programmes, not only managing a new in-house repairs and maintenance service but also dealing with the challenges that the COVID-19 pandemic continues to present. The capital investment programme reflects the level of investment to maintain stock to the required standard whilst providing a programme that is deliverable during the next financial year.
- 6.3 This report recommends that for 2022/23, a new capital budget of £27.707m is approved for investment in existing housing stock, £53.128m for the supply of new affordable housing and a further £1.242m supporting well-run services for the city.

- 6.4 The total proposed programme for 2022/23 and the funding arrangements totalling £85.077m are shown in Appendix 3. This programme includes budget of £36.766m 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 where necessary.

Improving Housing Quality

- 6.5 The 2022/23 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.
- 6.6 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 needs whilst providing safe, good quality housing and support services, and also supporting new housing supply and financial viability for the HRA. Other assets, such as car parks and garages, receive investment to ensure both health and safety compliance and best use of these assets.
- 6.7 Housing Fire, Health & Safety and our continued joint work with East Sussex Fire & Rescue Service (ESFRS) in response to housing fire health & safety matters arising following the Grenfell Tower tragedy remains a priority. In particular, concerning fire doors and sprinklers but also including other measures. In light of this, the programme continues to provide investment for potential additional works arising from the government's review of the Grenfell fire tragedy and forthcoming Building Safety Bill. However, the response is still evolving, and these investments may require adjustment in 2022/23 and/or later years.
- 6.8 The Capital Programme targets investments that will ensure that the HRA maintains and improves, where possible, the quality of housing. The programme will support the delivery of the following commitments:
1. To ensure that homes are compliant with health and safety standards and emerging building safety legislation.
 2. To maintain 100% achievement of properties meeting the government's Decent Homes Standard and the local Brighton & Hove Standard over the medium term.
 3. To ensure that all homes are as suitable as practicable for the needs of their occupants, in line with council policy. For example, there is a substantial investment commitment to providing adaptations and to reducing overcrowding in the programme.
 4. To ensure homes are energy efficient and that there is continued improvement in the energy performance of the housing stock, including through modern heating systems to reduce carbon emissions and resident's fuel costs.

5. To continue working closely with residents to help increase levels of resident satisfaction with the quality of their home and neighbourhood and to support proactive investment in and maintenance of the council housing stock to enable a preventative approach that allows for the ongoing reduction in the level of responsive repair needs.
- 6.9 Additionally, 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.

Sustainability and Carbon reduction

- 6.10 Helping residents to live in well-insulated, efficiently heated, healthy homes addressing fuel poverty issues remains a key long-term objective, which is supported through the capital programme. A dedicated team is being put in place to focus on delivering on the council's commitment to improving the energy efficiency of homes by 2030.
- 6.11 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 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, Housing will work collaboratively to ensure contributions toward making the city carbon neutral by 2030 are made.
- 6.12 Housing Committee noted a report presented to the committee on 17th November 2021 that outlined the plans going forward for making the city carbon neutral by 2030. This reported listed the following as key areas of work to consider:
 1. Delivery of up to 1,500 solar PV panels; this investment is included within the capital investment programme for the next 3 years.
 2. Identifying opportunities to work collaboratively with neighbouring authorities, including with local partners on a 'Retrofit Taskforce' within the Greater Brighton region led by Lewes and Eastbourne authorities and the University of Brighton.
 3. Scoping out a new heating and hot water contract to offer low/zero carbon options from 2023 onwards.
 4. An options appraisal for low/zero heating and hot water at communal blocks in north Whitehawk currently served by gas has been completed, this could lead to 265 flats moving from gas to air source heat pumps over the next 2-3 years.

Delivery of new Council Housing

- 6.13 Delivering new affordable housing remains a key investment priority for the HRA and is supported in the capital programme during 2022/23. Dedicated staffing resources to continue to deliver on this priority are included in the revenue budgets.
- 6.14 Delivering new council homes under the Home Purchase Policy scheme remains a key source of delivery for the HRA. The capital programme provides budget of £23.375m for the purchase of up to 95 properties. The use of these properties will continue to be reviewed in line with the strategic housing need across the city and will see the properties used for either General Needs or Temporary

Accommodation purposes. Keeping the flexibility in the programme for the use of properties allows officers to react to any changes in circumstances across the city.

- 6.15 In addition to the Home Purchase Policy, the delivery of 10 properties under the Housing First programme is provided for. These are the final 10 properties under the current programme for which capital and revenue funding is available. Currently there is no indication at this time that there will be any further capital or revenue funding made available from Government to increase this provision. Officers will continue to monitor the situation and if this changes then it will be reported back to members through the Housing Supply Member Board and Housing Committee where necessary.
- 6.16 The provision of £3.000m has been set aside in the capital programme for opportunities which may arise for the general acquisition of properties in the HRA, supplementing the £3.000m approved as part of the 2021/22 budget report. This augmented budget of £6.000m can be used for purchases of homes outside of the Home Purchase Policy to be used for General Needs or Temporary Accommodation but will be dependent on the individual business case, which will be subject to review by the Housing Supply Member Board and subsequent approval by Housing Committee.
- 6.17 Other delivery routes included in the capital programme include the continuation of the Hidden Homes programme, where work continues on utilising under-used spaces. As well as this, work continues at pace on the two sites at Portslade and Coldean that are being purchased from Homes for the City of Brighton & Hove LLP and on various projects under the New Homes for Neighbourhoods programme.
- 6.18 Only projects that have received scheme and budget approval have been included in the capital programme, this is a result of the need for an individual business case for each project to be signed off. The inclusion of any further budget would not be considered prudential or sufficiently robust to support its inclusion without concrete plans, with the detailed business cases needing full sign off from Committee.

7 HRA MEDIUM TERM & 30 YEAR FINANCIAL FORECASTS

- 7.1 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.
- 7.2 The medium term and 30 year financial forecasts are provided in Appendix 4 along with the assumptions and risks identified for income and expenditure.
- 7.3 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. Those programmes which have been approved at Committee are included in the plan and these total a further 400 homes.
- 7.4 Revenue reserves have been maintained as per the reserves balances at April 2022, 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 risks outline in paragraph 5.1. For forecasting purposes, a working balance of £3.000m is assumed to be maintained as a minimum during the course of the 30 year forecast but this is subject to annual review and recommendation by the Chief Finance Officer.

- 7.5 The government 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 4 assumes rent increases of CPI plus 1% for 3 years from 2022/23 and increases at CPI thereafter. Assuming other factors remain stable, this will help to sustain the HRA in the medium term.

8 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 8.1 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 24 February 2022. 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, currently 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.

9 COMMUNITY ENGAGEMENT & CONSULTATION

- 9.1 Housing Revenue Account Budget Proposals for 2022/23 were shared at Housing Area Panels week commencing 13th December 2021.

10 CONCLUSION

- 10.1 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.
- 10.2 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.

11 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: Craig Garoghan

Date: 10/01/2021

Legal Implications:

- 11.2 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 when the Building Safety Bill currently

making its way through Parliament is enacted. The measures outlined in the report will assist the council in discharging those duties.

- 11.3 The Housing and Local Government Act 1989 regulates the HRA. The requirement in the Act to set a balanced budget is noted in section 10 of the report.

Lawyer Consulted: Liz Woodley

Date: 16/12/21

Equalities Implications:

- 11.4 The HRA budget funds services for people with a range of needs including those 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:

- 11.5 The HRA budget will fund a range of measures that will benefit and sustain the local environment. This capital programme supports the affordable warmth and fuel poverty strategy brought forward from Public Health. Improving housing energy efficiency is a key contributor to the Carbon Emissions reduction commitment and will help to reduce the number of residents affected by fuel poverty and rising energy costs.
- 11.6 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:

- 11.7 Financial risks have been assessed throughout the development of the council's HRA annual budget, Medium Term Financial Strategy and 30 year financial forecast. A number of key sensitivities and scenarios continue to be reviewed to ensure that the service understands the business impact of decision making and include areas such as:
- Impacts of the government's Housing & Planning Act and Welfare Reform legislation;
 - Potential impact of the post Grenfell tragedy review of building regulations and / or standards;
 - Potential impact of the Social Housing White Paper;
 - Inflationary risk where expenditure inflation is greater than income, particularly the risks around build cost inflation and future governments' social rent policies;
 - Managing interest rate fluctuations and the debt portfolio;
 - Long term capital and maintenance responsibilities compared with available resources; and;
 - Balancing regeneration and redevelopment needs with tenants' priorities.

SUPPORTING DOCUMENTATION

Appendices:

- 1 Appendix 1: HRA Revenue Budget 2022/23
- 2 Appendix 2: Fees and Service Charges 2022/23
- 3 Appendix 3: Capital Programme and Funding 2022/23 – 2024/25
- 4 Appendix 4: HRA Medium Term Financial Strategy & 30 Year Financial Forecast

Documents in Members' Rooms

None

Background Documents

None

