

Subject:	Housing Revenue Account Budget & Capital Investment Programme 2020/21 and Medium Term Financial Strategy		
Date of Meeting:	15 January 2020 13 February 2020 – Policy & Resources Committee 27 February 2020 – Budget Council		
Report of:	Executive Director for Finance & Resources 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 2020/21 as required by the Local Government & Housing Act 1989. Members are required to consider the revenue budget proposals including re-investments (service pressures) and changes to rents, fees and charges and also 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 11,500 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.

2 RECOMMENDATIONS:**That the Housing Committee approves:**

- 2.1 That a rent increase of up to 2.7% in line with government legislation as detailed in paragraph 4.11 of the report be approved;
- 2.2 That service charges and fees as detailed in Appendix 3 to the report be approved;
- 2.3 That the contribution to Youth Services from the HRA will continue with the addition of inflation at a total cost of £0.255m in 2020/21 be noted;

- 2.4 That the proposal to set up a capital reserve of £2.900m for use in 2021/22 as discussed in paragraph 4.9 of the report be noted;
- 2.5 That the proposal to set up a new Rent Reduction Reserve for £1.010m (see paragraph 4.10 of the report) be noted;
- 2.6 That the current HRA forecast outturn for 2019/20 in Appendix 1 to the report of £0.200m underspend be noted; and
- 2.7 That the Medium-Term Financial Strategy and 30-year financial projections shown in Appendix 5 to the report be noted; and

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

- 2.8 That the updated HRA Revenue Budget for 2020/21 as shown in Appendix 2 to the report be agreed and recommended to full Council for approval;
- 2.9 That the Capital Programme Budget of £40.120m for 2020/21 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
- 2.10 That for 2019/20, any new revenue costs (estimated at £0.080m) arising from the increased support for delivery of housing supply, should be met from HRA general reserves.

That Full Council:

- 2.11 That the updated HRA Revenue Budget for 2020/21 as shown in Appendix 2 to the report be approved;
- 2.12 That the Capital Programme Budget of £40.120m for 2020/21 be agreed and the 3-year programme as set out in Appendix 4 to the report be noted; and
- 2.13 That for 2019/20, any new revenue costs (estimated at £0.080m) arising from the increased support for delivery of housing supply, should be met from HRA general reserves.

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 sets out the overall direction for Housing in the city over a 4-year period.
- 3.2 The Budget Strategy also reflects the council's decisions for the future 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 current contractual arrangements in March 2020.

Housing Committee Priorities and Work Plan – 2019-23

- 3.3 The priorities and work plan for the Housing Committee and Housing service for the next four years was 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. Key elements of the Work Plan in relation to the Housing Revenue Account Budget & Capital Investment Programme 2020/21 include:

Providing additional affordable Homes

- Develop 800 additional council homes.
- Review the rent policy to maximise the number of council homes replaced at social or living wage rents
- Develop the existing Hidden Homes strategy.

Achieving carbon reductions and sustainability in housing including addressing fuel poverty

- Develop an action plan to set out how we will work collaboratively to ensure housing contributes to making the city carbon neutral by 2030.
- Develop a new photo voltaic (PV) and energy efficiency strategy for council homes to include standards for new homes.

Improving council housing and community involvement

- Work with tenants to develop a 'decent environment' standard
- Develop a fire safety programme in conjunction with tenants and residents

- 3.4 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, including additional resources agreed towards an enhanced cross-directorate housing delivery team to drive projects forward and deliver 800 additional council homes within 4 years, including:

- Continue the 'New Homes for Neighbourhoods' programme. The programme has been successful and since summer 2015 has completed 184 new council homes in 12 projects. It has sites currently identified for a total of around 570 homes.
- Maintain and enhance our Hidden Homes programme to refurbish and convert under used or unused spaces within existing council stock into new homes. Nine new homes have been delivered to date, with a further 11 due to be delivered in 2019/20 - five on the Bristol Estate, three at Swallow Court, two at Elwyn Jones Court and one at Woods House. 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 30 units until 2023.

- Continue to create 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. The conversion of Stonehurst Court provided ten family units this summer with 12 additional units to be provided at the former Oxford Street Housing Office. The property purchase and refurbishment at Tilbury Place has also created 15 new units of temporary accommodation. New opportunities continue to be assessed to increase the provision of council owned temporary and emergency accommodation.
- Continuation of the Home Purchase Policy buy back scheme which has so far allowed the council to buy 43 properties with a further 15 going through the sales process, and other applications being assessed. This report proposes a budget of £15.612m for 2020/21 for this purpose which will, if approved, provide for the purchase of approximately 65 more properties during 2020/21. Housing & New Homes Committee agreed to the expansion of the scheme in September 2018 allowing the council the option to look at purchasing affordable housing units supplied as part of new housing developments in the city (typically known as S106 sites), and the council will continue to look at these opportunities. Housing Committee in September 2019 agreed an additional HRA budget for the scheme for 19/20 and recommended to P&R Committee to increase the Scheme of Delegations limit to £0.500m to enable a considerable increase in the scope of the scheme.
- Commission new, adapted homes and ensure best use of existing adapted / accessible housing in order to promote independent living, which has been demonstrated to deliver significant cost benefits.
- Support households wanting to downsize to increase the supply of available family housing.

Priority 2: Improving Housing Quality

- 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.
- In line with the new arrangements for the delivery of repairs from 2020, a Stock Condition Survey of housing stock has been commissioned and is currently being carried out. 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 picked up under existing investment / 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.
- Continue to respond to emerging guidance around building safety standards and Government guidance and any regulatory and / or legislative changes emerging following the Grenfell Tower tragedy.
- 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.

- Continue to promote the highest possible building, space and environmental standards in all new council homes being built to high sustainability levels.
- Continue to improve council housing sustainability standards and maintain 100% achievement of the council's housing stock meeting the Decent Homes Standard and invest in other priorities that promote the health and wellbeing of residents.
- Continue to review the energy efficiency performance of the council's housing stock, and the approaches for future improvement and support for initiatives to reduce fuel poverty.
- Deliver improvements to the council's seniors housing schemes in line with the Seniors Housing Review recommendations agreed at Housing Committee on 13 November 2019. Ensure that the right investment plans are in place to maintain and improve homes and make sure that they meet resident requirements into the future.
- 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

- Ensure that as services are reviewed, they are accessible and safe for all.
- Improve front facing customer services at Council Housing Offices.
- Continued 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.
- Early intervention for families struggling with accommodation including money advice and tenancy support.
- Ensure that adaptations are carried out at the right time to support people to stay in their homes when they want to.
- Support people to 'downsize' when they choose and provide a range of options for them, including accessible tools to support decision making.
- Better links between seniors housing schemes and surrounding communities.
- Ensure new housing development includes community spaces, where need is identified and resources allow.

HRA Asset Management Strategy

3.5 The HRA Asset Management Strategy acts as a link between Housing Strategy priorities and investment programmes. In 2016 the HRA Asset Management Strategy was agreed following extensive consultation and work with residents with an Asset Strategy Review reported to 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.

3.6 The key priority objectives of the strategy are to:

- Invest in homes and neighbourhoods to provide safe, good quality housing and support services;
 - Support new housing supply;
 - Ensure financial viability within the Tenancy Strategy.
- 3.7 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 2019/20 is shown in Appendix 1. As noted in paragraph 7.3 of the Housing Supply Update 2019-2023 report to 18 September 2019 Housing Committee, additional costs in 2019/20 were anticipated in order to support new housing supply activity. This is in addition to full-year costs which have been recognised in the 2020/21 budget proposals in this report. The September report estimated costs of £0.100m and recommended these be met from reserves, which are currently above the minimum level required so could support these costs. Since the September committee the costs falling in 2019/20 have been revised and are estimated at £0.080m. The committee are asked to recommend that Policy & Resources Committee agree that this is met from HRA reserves.
- 4.4 The proposed HRA budget for 2020/21 is shown in Appendix 2 with the main budget variations, areas for investment and other changes in resources.
- 4.5 The budget proposes the continuation of the funding for youth services to support ongoing work across council housing estates at £0.255m, including an allowance for inflation.
- 4.6 The budget also provides funding of £1.567m for the following new priority areas for investment. (Detailed in Appendix 2, note 3):
- A one-year investment of £0.142m to supplement the £0.250m that was put in place for the repairs programme to pay for the continuation of programme management resources associated with the set up, mobilisation and delivery of the new repairs and maintenance services. This will include delivery of support for the transfer of staff to the council, delivering improvements to the service in line with the objectives set with stakeholders in 2018 and further changes to the service including the procurement and implementation of works management systems for the in-house repairs service. Note that the £0.250m programme budget was originally added to the budget for 2018/19 and 2019/20 only, so this will be required for a further year to manage this large, complex change in this service;

- An increase in revenue resources of £0.252m to fund the staff required to support the delivery of 800 additional council homes in the city by April 2023. The need for this resource was agreed at Housing Committee in September 2019 as part of the Housing Supply Update Report;
- New revenue resources of £0.210m to increase the level of contribution to the bad debt provision. The level of arrears of current tenants has increased substantially during 2019/20, a high proportion of which is due to welfare reform changes around Universal Credit. This is highlighted further in the quarterly performance report to Housing Committee.
- An increase in revenue resources of £0.036m to create a welfare rights post, working with the council's Welfare Rights Team for the benefit of council tenants specifically to support them with changes around Universal Credit and other welfare benefits and to improve rent collection in the HRA;
- New revenue resources of £0.150m for the extra costs of decorating and carpeting senior homes when re-let, identified as part of our Seniors Housing Review, in order to attract more mutual exchanges and reduce empty property turnaround times. A further investment of £0.065m is also proposed to improve the security around some of the city centre estates which have become the target of anti-social behaviour and a further £0.032m is proposed to fund the council tax arising from seniors housing remaining empty for longer periods of time due to some seniors schemes becoming more difficult to let. We will continue to monitor the impact of this extra investment on measures to improve empty property turnaround times and the overall quality of seniors housing as part of our Seniors Housing Review;
- A sum of £0.630m to be set aside to allow all customer service, quality assurance and responsive repairs staff transferring from our existing provider under TUPE arrangements to become members of the Local Government Pension Scheme (LGPS). This sum may reduce in-year, depending on the level of take up; and
- Investment of £0.050m in the grounds maintenance service to enhance this service to residents. Service charges in 2020/21 will not reflect this cost increase but these will be reviewed as part of the budget setting process for 2021/22, once the new service is operating across the city.

4.7 The 2020/21 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. This year sees many variations due to the changes to the repairs and maintenance service and the council's decision to bring the responsive repairs and empty properties service and the repairs customer service contact centre in-house. The revenue budgets for repairs formerly consisted of payments to the contractor (Mears) shown under the 'premises – repairs' heading in Appendix 2. However, for 2020/21, new budgets have been created for the new in-house employees, materials, and vehicle costs as well as extra support service costs to the HRA to reflect the increased number of staff directly employed by the council. Any cost over and above the current budget resource is reflected as a service pressure. An

element of contingency has also been included to allow for any additional or as yet unidentified costs arising from such a fundamental change to the service.

- 4.8 The budget proposals include an increase in leaseholder service charge income of £1.516m. This reflects the volume of work that will be billed in 2020/21 following a full review of the works forecast to be completed by March 2020 at the end of the current contract for Repairs & Improvement. A number of significant projects will complete this financial year and the associated service charges will be billed to leaseholders in September 2020.
- 4.9 The net revenue budget results in an initial surplus of £23.716m which is then used to provide 'Direct Revenue Funding' (shown within expenditure at Appendix 2) in support of the capital programme. This year's capital programme has been reduced slightly, discussed in section 5 below, to reflect the significant changes being made to the current contractual arrangements for planned and major works to council dwellings and the mobilisation of a number of new contracts which will take time to build up to full delivery. Therefore, this budget includes a proposal to set aside £2.900m in a new capital reserve which will be used in 2021/22 to 'catch up' on improving the council stock.
- 4.10 The budget also proposes a new earmarked reserve of £1.010m to be used to reduce rent levels for homes purchased through the Homes Purchase Policy to either social rents (5 properties) or the 27.5% living wage rent.
- 4.11 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 has 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 2019 is 1.7% and therefore this budget proposes rent increases of 2.7%. Prior to this, tenants have seen a 1% reduction in their rent each year for the last 4 years. This means that for 2020/21, the average rent will increase from £84.09 to £86.36, an average rent increase of £2.27 per week. This is identified in Appendix 2 (note 4).
- 4.12 Rents are not calculated to take into account 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 be connected with communal facilities rather than to a particular 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 also 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 2020/21 are set out in Appendix 3.
- 4.13 For 2020/21, most service charge increases are below or close to the current levels of inflation with the exception of the electricity charges. Unfortunately, the unit prices for electricity are set to rise significantly for the second half of 2019/20 and 2020/21. On average, tenants will see an increase of 7% for communal electricity service charges and 7.6% for electrical eating charges.

However, the council continues to replace light bulbs in communal areas with low energy LED bulbs and fit automatic lighting where suitable and this is helping to mitigate costs by reducing the level of consumption. Electricity prices are expected to continue rising at approximately 5% annually for the foreseeable future. Appendix 3 shows the estimated average service charge paid per week for each service and the average increase.

4.14 The projected level of HRA reserves at 1st April 2020 and 31 March 2021 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 £2.513m at 31 March 2020. This is being held at this level in addition to the minimum reserve to allow for the following uncertainties:

- Levels of investment that may be required as a result of the outcome of the Grenfell fire Inquiry 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 £1.200m for new fire doors and £1.400m for sprinklers;
- The report to Housing & New Homes Committee in September 2018 on the future delivery of repairs and maintenance services identified a number of legal and financial risk areas, in particular around the set-up and TUPE costs of the new in-house repairs service;
- There are general risks around the stock condition which could give rise to a short term financial impact. Future changes to the Decent Homes Standard as set by the Ministry of Housing, Communities & Local Government may impact on the required investment levels in order to maintain 100% compliance with the standard.

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 adequate and reasonable for their purpose.

5 HRA CAPITAL PROGRAMME 2020/21

5.1 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 HRA Asset Management Strategy and the Asset Strategy Review report to Housing & New Homes Committee 20 September 2017. The Programme also reflects the end of the current Mears contract in March 2020 and arrangements being put in place to reflect recommendations agreed at Committee around the future delivery of planned maintenance and improvement programmes and major capital projects to council housing stock.

5.2 This report recommends that for 2020/21, a budget of £19.986m is approved for investment in existing housing stock and a further £20.134m for the new supply of affordable housing. The proposed budget for investment in existing

housing stock is lower than last year's budget for a number of reasons: Firstly, the capital programme included a contractual sum of £1.500m, split over all the capital schemes, for 'establishment costs' of overheads and contract management by Mears. As the service is now being reorganised and most of this work will now be carried out in-house, this budget has been moved to the revenue repairs budget. Secondly, as mentioned below, the Estate Development Budget (EDB) of £0.180m and £0.200m of the Environmental Improvement Budget have now been included as revenue budgets, reducing the capital programme. The planned programme for the next three years is being finalised over the coming months to reflect the investment required in the stock informed by a recently commissioned Stock Condition Survey. The mobilisation of a number of new repairs contractors during 2020/21 means that there will be a reduced capital spend in 2020/21 and a higher total of £26.734m in 2021/22. Therefore the budget includes proposals to include a capital 'catch up' reserve of £2.900m to be used in 2021/22 to ensure the continued programme of improvements for council homes.

- 5.3 The total proposed programme for 2020/21 and the funding arrangements totalling £58.002m are shown in Appendix 4. This programme includes budget of £17.883m 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.
- 5.4 The 2020/21 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, in particular support for the proposed projects to install sprinklers in high rise blocks (subject to consultation with residents), as set out in previous committee reports.
- 5.5 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. Other assets, such as car parks and garages, receive investment to ensure both health and safety compliance and best use of these assets.
- 5.6 The Estates Development Budget (EDB) is no longer part of the HRA capital programme. Examination of expenditure over a number of years indicates that most 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 will transfer in-house from Mears. This budget adjustment is shown in Appendix 2 (note 4). The current budget strategy uses EDB reserves to support this over a further 2 years, augmenting this budget to

a total of £0.354m for 2020/21 and £0.282m for 2021/22. A reserves table is shown in Appendix 2 (note 5).

- 5.7 The approved capital programme for 2019/20 included new 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 2020/21, however, this budget proposes that £0.200m is included in the capital programme and £0.300m in the revenue budget, given the nature of spend to date.
- 5.8 The Housing Fire Health & Safety Update report to Housing & New Homes Committee on 19 September 2018 updated members on 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. In particular, concerning fire doors. In light of this, the programme also includes a provisional sum of £1.200m in 2020/21 and 2021/22 for potential additional works arising from the government's review of the Grenfell fire tragedy. This is supported by the delivery of a new contract for the replacement of doors.
- 5.9 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:
- To maintain 100% achievement of properties meeting the government's Decent Homes Standard and the local Brighton & Hove Standard over the medium term.
 - 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.
 - To ensure homes are energy efficient and that we continue to improve the energy performance of our housing stock, including through modern heating systems to reduce carbon emissions and resident's fuel costs. Housing Committee will be discussing a proposal for a ground source heat pump at Elwyn Jones Court which is estimated to pay for itself within 8 years, enhance thermal comfort for residents and reduce the city's carbon footprint.
 - 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 our council housing stock to enable a preventative approach that allows for the ongoing reduction in the level of responsive repair need.
- 5.10 Additionally, based on feedback from residents on their priorities, the programme continues the commitment to invest in external and common way repairs and decorations across the city and the modernisation of passenger lifts serving blocks of flats, subject to resident consultation and analysis of information to establish if replacement works are necessary. This programme has been very effective in helping many residents to be able to rely on their lifts to be safe and reliable. All lift project proposals are continually evaluated on a case-by-case basis to ensure value for money continues to be delivered

through this programme. A range of approaches are undertaken to ensure best value including replacement and part modernisation to ensure the reliable operation of lifts across the city.

- 5.11 Helping residents to live in well-insulated, efficiently heated, healthy homes remains a key long-term commitment, which is supported through the capital programme. 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, we will work collaboratively to ensure housing contributes to making the city carbon neutral by 2030. This includes developing a new solar PV and energy efficiency strategy for council homes. This budget proposes to invest £0.100m in solar (PV) panels in 2020/21 with a commitment to bringing a detailed report to Housing Committee for discussion in June 2020 which will include a full Equalities Impact Assessment and options for funding with the aim of introducing a programme of works for 2021/22 and 2022/23.
- 5.12 As outlined above, the Housing Asset Management Strategy acts as a link between the Housing Strategy and Investment Programmes including a priority of supporting new housing supply. The service will continue to focus on the key Housing Strategy priorities to increase the numbers and make best use of affordable homes, including the following HRA related measures:
- Housing Allocation Policy framework ensuring best use of existing council and Registered Provider resources through nomination of affordable housing to priority households.
 - The 'New Homes for Neighbourhoods' estate regeneration programme to deliver additional council homes in the city.
 - Improving supply of additional council homes through best use of existing HRA assets including the conversions / Hidden Homes programme.
 - Development and delivery of more council owned Temporary Accommodation.
 - The recently approved and amended HRA Home Purchase Policy to further support the delivery of additional council homes including a budget of £15.612m to purchase approximately 65 homes during 2020/21 (depending on size and condition) and a commitment to continue at this level during 2021/22 subject to funding being available. Sourcing 65 homes that represent good value for money as well as meeting housing need will be a challenge and therefore, if there is any underspend on this budget for 2020/21, this can be re-profiled for use in 2021/22.
 - The proposal to set up a new housing delivery team to accelerate the supply of affordable housing in the city as agreed at Housing Committee and outlined in paragraph 4.6.

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 800 additional council homes in the city by April 2023 have been incorporated in the capital programme 2020/21 – 2022/23 as well as 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) or from current tenants' rents, rent rebates (Housing Benefits) and service charges. The current 30 year forecast assumes £179.877m for building and purchasing of new homes in the next five years to 2024/25.
- 6.5 Revenue reserves have been maintained in the business plan at £5.513m for the time being but this will be revised annually.
- 6.6 The MHCLG has 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 5 years from 2020/21 and increases at CPI thereafter. Assuming other factors remain stable, this will help to sustain the HRA in the medium term.
- 6.7 Alternative options and delivery mechanisms for new build and regeneration funding outside the HRA are still being developed in the form of a wholly owned company and the Joint Venture with Hyde Housing Association as agreed by Policy, Resources & Growth Committee alongside a review of priorities included in the financial plan.
- 6.8 There are still some uncertainties which may have a significant impact on the long term health of the financial plan, such as:
 - The Welfare Reform and Work Act 2016 continues to be implemented with the reduction of the benefit cap to £20,000 per annum during 2016/17, the single room rates extended to people under 35, the roll out of Universal Credit in 2017 and the reduction in tax credits implemented from October 2017. These reforms are expected to affect many tenants' ability to pay their rent and current arrears have risen significantly in 2019/20 which is why this budget proposes to increase the contribution to the bad debt provision by £0.210m. However, it continues to be difficult to accurately predict to what extent this will impact on HRA resources longer term. The budget also proposes an extra member of staff to undertake proactive work with tenants to support them with welfare advice to help reduce rent arrears.

- Uncertainty of future rent policy. Even though there has been an announcement to allow increases in rents of CPI plus 1% for five years, any future rent policy may reduce or freeze rent increases.
- Any additional investment requirements arising from any legislative or regulatory changes following post Grenfell Tower tragedy reviews and the MHCLG review of the Decent Homes Standard.
- The introduction of an in-house responsive repairs and empty property refurbishment service. The current budget for 2020/21 has built in some contingencies and one-off resources to assist with the new contractual arrangements and the mobilisation of this service. However, there continue to be some uncertainties around certain costs such as TUPE costs and ICT costs and therefore general reserves are being retained at a high level.

6.9 The 30 year financial plan will continue to be updated in 2020/21 to reflect the 2020/21 budget proposals. This will enable a review of future opportunities for additional investment in existing housing stock and building new homes, and also how the housing debt could be structured to accommodate these plans or possibilities.

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 27 February 2020. 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 The HRA budget task and finish group, made up of the Chair and opposition spokespersons of the Housing Committee, residents from Service Improvement Groups and officers, met last year to work up future budget consultation arrangements. The group decided that, to inform the 2020/21 budget, a range of residents' views would be gathered on areas including energy efficiency, social isolation, support for vulnerable tenants, maintaining older stock, increasing social housing provision, and the appearance of estates. Some of these items are currently under consultation with residents and some are in progress with proposals included in this budget report.

8.2 There has been considerable consultation with residents (tenants and leaseholders) that have informed budget decisions. For example, there was recent detailed consultation regarding the insourcing of repairs and maintenance. This forms a significant part of the budget, and the consultation put residents very much at the heart of the council's deliberations in a quest to deliver improved services. There has also previously been consultations with residents on the council's asset management strategy, which will be repeated in the next year or so. A statistically representative sample of tenants also took part in the Survey of Tenants and Residents (STAR survey), which identified a reduction in the levels of satisfaction with communal areas. More recently

residents have also been consulted on their priority areas for improving the public areas of estates. The results informed the budget priorities for the current year, and will continue for the next two years.

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: Monica Brooks
January 2020*

Date: 6th

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 announced in the recent Queen's Speech 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: 31/12/19

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 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 and 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:
- Impacts of the government's Housing & Planning Act and Welfare Reform legislation;
 - Potential impact of any post Grenfell tragedy review of building regulations and / or standards;
 - Inflationary risk where expenditure inflation is greater than income, particularly the risks around build cost inflation and future governments social rent policy ;
 - Managing interest rate fluctuations and the debt portfolio;
 - Long term capital and maintenance responsibilities compared with available resources;
 - Balancing regeneration and redevelopment needs with tenants' priorities.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1: HRA Revenue Forecast Outturn 2019/20 (Month 7)
2. Appendix 2: HRA Budget 2020/21
3. Appendix 3: Fees and Service Charges 2020/21
4. Appendix 4: Capital Programme and Funding 2020/21 – 2022/23
5. Appendix 5: HRA Medium Term Financial Strategy & 30 Year Financial Forecast

Documents in Members' Rooms

None

Background Documents

None