

Subject:	Housing Revenue Account Budget and Capital Investment Programme 2019/20 and Medium Term Financial Strategy		
Date of Meeting:	28 February 2019 16 January 2019, Housing & New Homes Committee 14 February 2019, Policy, Resources & Growth Committee		
Report of:	Executive Director for Finance & Resources Executive Director for Neighbourhoods, Communities & Housing		
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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 2019/20 as required by the Local Government and Housing Act 1989. Members are required to consider the revenue budget proposals including savings and re-investments (service pressures) as well as changes to rents, fees and charges and also the capital programme. This report also sets out the Medium Term Financial Strategy and 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 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:

- 2.1 That the Housing & New Homes Committee:
- (a) Recommends that Policy, Resources & Growth Committee approves and recommends to full Council the updated HRA revenue budget for 2019/20 as shown in Appendix 2;
 - (b) Recommends that Policy, Resources & Growth Committee approves and recommends to full Council the capital programme budget of £33.964m for 2019/20 and notes the 3 year programme as set out in Appendix 4;
 - (c) Recommends that Policy, Resources & Growth Committee approves the procurement of a contract for insurance cover for the council's residential leasehold properties as set out in the report in section 5.

- (d) Recommends that Policy, Resources & Growth Committee approves that the Executive Director of Neighbourhoods, Communities and Housing be given delegated powers to award the contract for insurance cover and the extensions set out in the report in section 5.

2.2 That the Housing & New Homes Committee:

- (a) Approves a rent reduction of 1% in line with government legislation as detailed in paragraph 4.9;
- (b) Approves service charges and fees as detailed in Appendix 3;
- (c) Notes the current HRA forecast outturn for 2018/19 in Appendix 1 of £0.900m underspend;
- (d) Notes the Medium Term Financial Strategy and 30 year financial projections shown in Appendix 5;
- (e) Notes the Integrated Service & Financial Plan proposals (savings) in Appendix 6.

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, Housing Revenue Account Asset Management Strategy and Corporate Plan which set out the overall direction for the council over the 4 year period. The Budget Strategy going forward will also reflect recommendations for the future delivery of 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. In particular, continuing to work in consultation with tenants and leaseholders: to deliver in house customer service, quality assurance, responsive repairs and empty property services; to agree planned and major works programmes based on updated information on council housing stock. This information will enable the council to contract for the provision of planned maintenance, improvement programmes and major capital projects. 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 toward an enhanced cross directorate housing delivery team to drive projects forward;
- Continue the innovative 'New Homes for Neighbourhoods' programme. The programme has been successful and since summer 2015 has completed 172 new council homes in 11 projects, has another 12 council homes under construction. It has sites currently identified for a total of around 500 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 six due to be delivered in 2018/19. A pipeline of potential sites has been developed to deliver approximately 30 further units;

- 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 from Orbit agreed at Housing & New Homes Committee in March 2018 will provide a further 15 units of temporary accommodation;
- Expand our Home Purchase Policy scheme which has so far allowed the council to buy back properties which will now be used for general needs or temporary accommodation. 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). So far eight properties are back in council ownership. The buy-back scheme was expanded on 1 December 2018 enabling the council to consider approaches from other leaseholders/freeholders who own former council homes. At present the scheme has only considered properties where the council has the right of first refusal. This expansion is likely to lead to an increased number of properties coming forward for consideration;
- 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;
- Continue to review and respond to 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 in order to enable us to contract 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, our approaches for future improvement and support for initiatives to reduce fuel poverty;

- Undertake an appraisal of the council's seniors housing schemes to 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 a budget for enhanced environmental improvements to enable the Council to respond with greater speed to issues impacting upon tenant's 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 done 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 resources allow.

HRA Asset Management Strategy

- 3.2 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 20 September 2017 following the Grenfell Tower tragedy.
- 3.3 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.
- 3.4 The proposed Capital Investment Programme supports all 3 of these objectives. This year the budget includes new areas for investment including environmental improvements to estates, additional resources agreed toward an enhanced cross directorate housing supply team to speed up the new build programme as well as extra staffing resources to improve neighbourhoods. This is a direct result of consulting and listening to residents.

4 HRA REVENUE BUDGET PROPOSALS 2019/20

- 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 HRA budget for 2019/20 is shown in Appendix 2 with the main budget variations, proposed savings, re-investment of savings (including service pressures), areas for investment and other changes in resources. Savings of £0.280m have been identified, including a number of efficiencies resulting from reviews of all premises, transport and supplies costs across the housing management service. There are also cost savings on mechanical and engineering services and a reduction in employee costs. None of these savings will impact on the level of service provided to residents and are detailed in Appendix 2 (note 2) and Appendix 6.
- 4.4 The budget also provides funding of £0.338m for the following re-investments from savings and new priority areas for investment. (detailed in Appendix 2, note 3):
- New revenue resources of £0.100m to enable environmental improvements to council estates around the City as proposed in the Environmental Improvement report elsewhere on this agenda. Further investment of £0.058m is also proposed to address issues arising from 'untidy gardens' and hard surfaces around estates. A further £0.400m for this purpose is included in the proposed capital programme for 2019/20 and beyond. This is new investment as a result of consultation with residents who have consistently raised 'improving neighbourhoods' as one of the top priorities for further investment;
 - An increase in revenue resources of £0.075m to create a team with the aim of accelerating the increase in supply of affordable rented homes in the city in light of the removal of the HRA borrowing cap on 29th October 2018. The need for more resources for this was discussed at Housing & New Homes Committee in November 2018 as part of the report on Housing supply;
 - New investment for two new Work & Learning officers to assist tenants into work and training in light of the changes to the welfare benefits system and the introduction of Universal Credit;
 - A new contract management role to manage the wide range of smaller non-repairs contracts such as laundries, grounds maintenance, money advice, removals and storage, and mediation. This is to enhance the level of service and value for money for residents.
- 4.5 The HRA budget for 2019/20 also takes account of the set up and mobilisation costs associated with a new in-house responsive repairs and empty property refurbishment service as agreed at Policy Resources & Growth Committee on 11 October 2018. An earmarked reserve for £0.982m has now been set up for this purpose in 2019/20. The HRA already includes a budget of £0.250m for the preparation of the wider re-procurement of the repairs and improvements contract.

- 4.6 The 2019/20 also provides for a range of other inflationary costs and pressures including £0.508m relating to the effect of a reduction in rental income as a result of the government's statutory requirement to reduce rents by 1%. These changes in resources are listed under 'Other Changes' in Appendix 2.
- 4.7 The net revenue budget results in an initial surplus of £25.104m which is then used to provide 'Direct Revenue Funding' (shown within expenditure at Appendix 2) in support of the capital programme.
- 4.8 Rents 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 Government has recently issued a consultation on the setting of social rents and officers are currently awaiting new guidance, although the expectation is that this will not have an effect on the rent levels for this council in 2019/20.
- 4.9 The Welfare Reform and Work Act 2016 requires rents to be reduced by 1% per annum for 4 years, commencing 2016/17. Therefore, 2019/20 is the last year of this reduction. This is positive for tenants and means an average reduction of £0.85 per week. The average weekly rent is now £83.84 per week including all of the new build properties. However, this reduction in rents does reduce the level of income for the HRA by an estimated £0.508m. This is identified in Appendix 2 (note 4).
- 4.10 From 2020, rent increases will be applicable again and on 4 October 2017 the previous Department for Communities & Local Government (DCLG) announced that "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020". This has since been confirmed by the government in a recent consultation exercise.
- 4.11 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 2019/20 are set out in Appendix 3.
- 4.12 For 2019/20, most service charge increases are close to the current levels of inflation with the exception of the communal electricity and heating charges. Unfortunately, the unit prices for both of gas and electricity are set to rise significantly for 2019/20. Gas prices have increased by an average of 20% and electricity prices will increase from 1st April 2019 by an estimated 30%. Therefore, in order to recover these extra costs, some tenants will see increases in these service charges. Appendix 3 shows the estimated average service charge paid per week for each service and the average increase. This extra cost will be mitigated by a 1% reduction in the rent and it is worth noting that these service charges have seen large reductions in 2017/18 and 2018/19

so that the proposed charges for 2019/20 are on average lower than those in 2016/17.

4.13 The projected level of HRA reserves at 31 March 2019 and 31 March 2020 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 £3.136m 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 Grenfell fire reviews;
- 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.

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 PROCUREMENT OF BUILDINGS INSURANCE FOR RESIDENTIAL LEASEHOLD PROPERTIES

5.1 The council arranges insurance for its leaseholder properties on council estates. As the freeholder, it recharges the premiums to the leaseholders as part of the service charge. There is also the requirement for a smaller policy to cover 'Domestic Leasehold Flats'. These are typically flats above shops or GP surgeries where the council is the freeholder and again the premiums are recharged.

5.2 The previous long term agreement ended on 31 October 2018 and the current provider extended the cover at existing premium rates until 31 March 2019. This was to enable the policy to be renewable on the common Orbis renewal date which has been agreed as the 1st April. The insurer has now been asked to extend further to 31 May 2019 to comply with committee and procurement timeframes.

5.3 The contract would commence on 1st June 2019 and run until 31st March 2022 with an option to extend for two further years. Based on the last annual premium the contract is estimated to have an annual value of £0.312m with an estimated total value of £1.508m. The costs and service charge income for this are included within the HRA revenue budget proposals herewith.

5.4 All leaseholders were written to on 5th November 2018 advising them of the intention to enter into a new long term agreement for this service. There will be a further period of consultation once the preferred bidder is known.

5.5 Therefore, this report requests that Housing & New Homes Committee recommends that Policy, Resources & Growth Committee approves the

procurement of this leaseholder insurance contract and delegates authority to the Executive Director of Neighbourhoods, Communities & Housing to award the contract for insurance cover and any extension.

6 HRA CAPITAL PROGRAMME 2019/20

- 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 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 April 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.
- 6.2 This report recommends that a budget of £33.964m is approved for 2019/20. The total proposed programme for 2019/20 and the funding arrangements totalling £53.585m are shown in Appendix 4. This programme includes budget of £19.621m 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 PR&G Committee.
- 6.3 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.
- 6.4 On 26 September 2018, Housing & New Homes Committee agreed the procurement of at least one contract for the provision of planned maintenance and improvement programmes to council housing stock and a multi- contractor framework agreement for major capital projects following the end of the current contract with Mears. In order to agree future planned and major works programmes it is considered timely for the council to update information held on council housing stock condition to enable us to consult on and procure contracts for the provision of future planned maintenance, improvement programmes and major capital projects.
- 6.5 To this end, officers are currently commissioning a stock condition survey of council dwellings. This will provide an up to date needs assessment of maintenance and improvements required to council homes in both the short and longer term. Given it is subject to procurement, the cost of this survey is currently unknown but this will be managed within the proposed budget resources for 2019/20.
- 6.6 The programme for 2019/20 includes new investment in environmental improvements around estates of £0.400m. This relates to the 'Environmental Improvements Report' elsewhere on this Housing & New Homes Committee agenda. A total budget of £0.500m is being proposed for this work, £0.400m in

the capital programme and £0.100m in revenue. More details on the use of these budgets can be found in the separate report.

- 6.7 Our highest priority remains the health and safety of our 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.
- 6.8 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 2019/20 and 2020/21 for potential additional works arising from the government's review of the Grenfell fire tragedy.
- 6.9 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.
 - To continue working closely with residents to help increase levels of resident satisfaction with the quality of their home and to support the ongoing reduction in the level of responsive repair need.
- 6.10 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, and that replacement works are reasonably required.
- 6.11 The proposed capital programme for 2019/20 includes a budget of £0.185m for the Estates Development Budget (EDB). The current budget strategy uses EDB capital reserves to support this over a further 2 years, augmenting this budget

to a total of £0.355m for 2019/20 and £0.247m for 2020/21. Tenants are currently involved in a review of EDB and the bidding process. Therefore, no substantial changes have been made to this budget as officers await the outcome of this review. A reserves table is shown in Appendix 2 (note 5).

- 6.12 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.
- 6.13 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 new affordable homes in the city.
 - Improving supply 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.
 - The proposal to set up a new housing delivery team to accelerate the supply of affordable housing in the city as outlined in paragraph 4.4.

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 5 along with the business planning assumptions used for income and expenditure.
- 7.3 There have been some positive developments during 2018/19 in respect of the HRA. In October 2018, the Minister for Housing, Communities and Local Government issued a determination – The Limits on Indebtedness (Revocation) Determination 2018. This came into force on 29th October 2018 and removes the restrictions on borrowing for the HRA, enabling councils to play a key role in delivering new homes in their area.
- 7.4 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 will have to be 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 and service charges. The current 30 year forecast assumes £80.911m for building and purchasing of new homes in the next five years to 2023/24.

- 7.5 Revenue reserves have been maintained in the business plan at £6.136m for the time being but this will be revised annually.
- 7.6 The year 2019/20 is the last year of the rent reduction of 1% as advised by government. As mentioned above, the DCLG has announced an increase to social housing rents limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. Councils are awaiting further guidance on council housing rents after a recent consultation exercise by the Ministry for Housing, Communities and Government. Assuming other factors remain stable, this will help to sustain the HRA in the medium term. The 30 year business plan shown at Appendix 5 assumes rent increases of CPI plus 1% for 5 years from 2020 and then increases at CPI.
- 7.7 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.
- 7.8 As a result of the review carried out by government, their decision was not to proceed with the Pay-to-Stay policy included in the Housing and Planning Act 2016. The Government has also announced this year that there are now no plans to introduce a levy on high value voids within the HRA. However, 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. All these reforms are expected to affect many tenants' ability to pay their rent, but it is difficult at this stage to accurately predict to what extent this will impact on HRA resources. The budget proposes an extra 2 FTE staff during 2019/20 to undertake proactive work with tenants to assist them to access work and training opportunities.
 - Uncertainty of future rent policy. Even though there has been an announcement to allow increases in rents of CPI plus 1% for five years after 2020, any changes in government could overturn this.
 - Any additional investment requirements arising from any legislative or regulatory changes following post Grenfell Tower tragedy reviews.
 - The introduction of an in-house responsive repairs and empty property refurbishment service. An earmarked reserve for £0.982m has been set aside for the mobilisation and set up costs associated with this service. However, there are some uncertainties around certain costs such as TUPE costs and ICT costs.
- 7.9 The 30 year financial plan will continue to be updated in 2019 to reflect the 2019/20 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.

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 28 February 2019. Budget Council has the opportunity to debate both the proposals recommended by Policy, Resources & Growth Committee at the same time as any viable alternative proposals.
- 8.2 The Welfare Reform and Work Act 2016 details a statutory requirement to set the rents at 1% less than the previous year for 2019/20. There are financial restrictions placed upon local authorities who do not follow this statutory requirement. The government annually sets a limit rent, set to include the 1% reduction, 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 Involvement of our residents in service delivery and priorities is a key focus for Housing. Ongoing consultation with tenants and leaseholders has taken place through the year in a number of forums and settings.
- 9.2 Tenant representatives, for example those at Central Area Panel and Home Group understand there have been specific consultations impacting parts of the HRA (eg on sprinkler systems, SHINE, and communal areas). However, they requested summary information about the key budget figures and the main changes proposed for the coming year.
- 9.3 Therefore, all Area Panel representatives and chairs have been sent a letter explaining the budget proposals. This summarised the various components including the details of the proposed savings and how the savings would be reinvested back into the service and also the areas of new investment. It also included information on the 1% rent reduction and changes to service charges as well as advice on contact details if further information or clarification was sought.
- 9.4 Extensive consultation was carried out with tenants and leaseholders to inform the current Asset Management Strategy. Further consultation will be carried out in 2019 to inform the new strategy from 2020 onwards. Residents have been consulted on some changes to the Strategy due to changes in priority following the Grenfell fire and government guidance arising from it.
- 9.5 All leaseholders have been, or will be, consulted about individual contracts carried out as part of the programme in full compliance with the Common hold and Leasehold Reform Act 2002.
- 9.6 The HRA budget task and finish group, made up of the Chair and opposition spokespersons of the Housing & New Homes 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 2019/2020 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. For example, the report proposes additional resources to support work and learning help for vulnerable and other tenants and resources for addressing communal areas on council estates.

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 At Policy, Resources & Growth Committee on 14th February, the committee approved amendments to the proposed HRA budget as follows:
- a) *That a HRA Rent Support Reserve of £1.050m be created, through a reduction in the reserve funding of the HRA capital programme by borrowing the same, and to apply this reserve in the form of a subsidy over the lifetime of modelled new schemes in order to support the provision of new council homes at lower rents, particularly social rents and 27.5% living wage rents;*
 - b) *That the Purchase Properties budget be increased by £3.500m and added to the 2019/20 HRA Capital programme to be funded by HRA borrowing and Right to Buy receipts;*
 - c) *That a budget of £3.500m be added to the 2019/20 HRA Capital programme to purchase buildings to provide emergency homeless accommodation for in-house delivery by the council to be funded by HRA borrowing and RTB receipts.*
- 11.2 This report has been updated to reflect the approved amendments for recommendation to full Council. As advised to Policy, Resources & Growth Committee there are a number of financial and other implications arising from the amendments as follows:
- As a result of increasing the amount of borrowing by £1.050m, the HRA will need to fund additional borrowing costs of £0.031m per year from 2020/21 onwards. This is reflected in the Medium Term Financial Strategy.
 - The use and parameters of the proposed Rent Support Reserve of £1.050m need to be considered, including whether or not amendments to the rent

policy are required. In addition, a full equalities impact assessment needs to be undertaken to ensure that the application of this reserve is fair and equitable.

- The 'Purchase Properties' capital budget for 2019/20 has been increased from £3.500m to £7.000m. There is a potential risk that this budget will not be spent in total given the large increase in budget and the available service capacity to deliver this. The costs of any extra resources required to achieve delivery may therefore need to be met from within this capital budget.
- The new capital budget of £3.500m for the purchase of emergency temporary accommodation has been added to the HRA Capital Programme for 2019/20 funded by RTB receipts (£1.050m) and borrowing (£2.450m). In accordance with Financial Regulations, this scheme will require a detailed report to this committee, and potentially Policy, Resources & Growth Committee, on all of the associated revenue implications (HRA and General Fund) of providing this type of accommodation to ensure that such a scheme is financially viable and cost effective.

Finance Officer Consulted: Monica Brooks

Date: 19/02/19

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. 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 10.1 of the report.

Lawyer consulted: Liz Woodley

Date: 07/01/2019

Equalities Implications:

- 11.3 The HRA budget funds services to people with special needs resulting from 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:

- 11.4 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.

11.5 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:

11.6 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 with the current reduction in rental income over the four years;
- 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 2018/19 (Month 9)
2. Appendix 2: HRA Budget 2019/20
3. Appendix 3: Fees and Service Charges 2019/20
4. Appendix 4: Capital Programme and Funding 2019/20 – 2021/22
5. Appendix 5: HRA Medium Term Financial Strategy & 30 Year Financial Forecast
6. Appendix 6: Integrated Service & Financial Plan (Detailed Savings Proposals)

Documents in Members' Rooms

None

Background Documents

None

