



PURPOSE: Key decision

MEETING: Cabinet

DATE: 26 January 2021

TITLE	HRA Budget proposals for 2021/2022		
Ward(s)	All		
Author: Sarah Spicer	Job title: Business Innovation Manager		
Cabinet lead: Cllr Craig Cheney	Executive Director lead: Stephen Peacock		
Proposal origin: <i>BCC Staff</i>			
Decision maker: Cabinet Member Decision forum: <i>Cabinet</i>			
<p>Purpose of Report: The report seeks Cabinet’s endorsement of the proposed 2021/22 Housing Revenue Account (HRA) Budget, 5-year capital plan and planned expenditure. It also seeks delegated authority to appoint all necessary contractors to implement the delivery of these plans, including the Housing Investment Plan and HRA Development Programme (new council homes).</p>			
<p>Evidence Base: The Housing Revenue Account (HRA) is a separate ring-fenced account and covers all activities of BCC as landlord of circa 26.8k housing stock. There are further 1.7k leasehold properties which have been sold under RTB, but which are in blocks where the Council continues to maintain the common areas and the fabric of the building.</p> <p>The Council has a duty to develop a balanced HRA budget for the next financial year, as well as a sustainable long-term business plan, which takes into account both the capital investment needs of its stock and the revenue costs of managing and maintaining it. A one-year revenue budget for 2021/22 and a 5-year capital programme 2021/22 – 2025/26 are being presented for approval. The budget has been set to ensure that the HRA can deliver: its day to day service provision, service improvements, essential repairs, maintenance and improvements to the housing stock; and a development programme with the potential to develop up to 571 new council homes over the next 5 years.</p> <p>Over the next year it is proposed to carry out a thorough review of the HRA to produce an updated 30-year business plan. The focus of this work will be to improve the service that tenants receive, implement the outputs of the Moving Forward Together change programme, improve the quality of our estates and housing stock, continue to address the challenges of the climate emergency and the need for more affordable housing, and ensure the long term financial sustainability of the HRA. This work will inform future decisions about capital investment, service delivery and rent policy. As a result some of the assumptions in the 5-year capital programme are subject to change.</p> <p><u>Revenue Income</u> The main sources of income for the HRA are the rent and services charges paid by tenants and leaseholders. To date BCC has retained social rent levels, set in line with the national Rent Standard although social rents in Bristol are significantly lower than market and Affordable Rents.</p> <p>Although the Rent Policy and Rent Standard allows Local Authorities to increase rents by up to CPI plus 1% for 2021/22, in view of the current economic conditions, the impact of pandemic and the hardship suffered by people in need it is proposed that the Council will freeze rents for existing tenants for the coming year, effective from April 2021.</p> <p>To maintain the existing level of service will require an accelerated use of HRA reserve in the short term and the</p>			

identification of service efficiencies over the next year.

The HRA forecasts revenue income of £122.1m for 2021/22 comprised of:

- **£113.5m** rental income - of this a percentage will be lost as no income is received while properties are void (empty) **-£1.2m**
- **£9.0m** service charges (based on actual costs, plus an inflationary uplift)
- **£0.8m** in charges for other assets, including garages and shops, and interest on balances.

Revenue Expenditure

The first priority for HRA expenditure is to make service provision for council tenants: estates and housing services; and repairs, maintenance and improvements to council housing. For 2021/22 this includes:

- **£33.9m** for responsive repairs and maintenance, including compliance safety programmes
- **£31.8m** to deliver supervision and management functions
- **Up to £0.8m** for Moving Forward Together (part of the £1.4m approved by Cabinet June 2020) to test and roll out a new operating model during 2021 that will deliver improved services that meet residents' priorities.
- **£1.7m** for an expanded programme of planned improvements and fire safety, (included in Appendix A2) to ensure work that could not be delivered in 2020/21 due to Covid-19 is carried out during 2021/22. This is also to be funded from the HRA General Reserve.

Capital Programme

The 5 year Capital Programme consists of:

- **£216.1m** Housing Investment Programme for maintaining and improving the existing stock as set out in Appendix A2. This includes £2.3m to match fund income of £1.29m from the Social Housing Decarbonisation Demonstrator grant to deliver an energy efficiency pilot, testing a whole house retrofit scheme to 40 homes, to allow us to learn lessons, and potentially roll out the scheme to more homes as part of our commitment for all home to be net zero carbon by 2030 and more affordable to heat
- **£103.7m** HRA Development Programme of delivering new council homes as set out in Appendix A3.
- **£2.5m** HRA IT Infrastructure, which is for continuous improvement and maintenance of the HRA systems

The 5-year Capital Programme is financed through

- **£164.2m** Major Repairs Allowance, which is exclusively used to fund the Housing Investment Programme (HIP)
- **£72.6m** Revenue funding including use of reserves. 87% of this is used to fund the HIP, with the remainder being used for the HRA Development Programme and the HRA infrastructure.
- **£34.9m** Unapplied Capital receipts used wholly on the HRA Development Programme
- **£39.3m** Capital Receipts (including receipts from the first tranche of shared ownership homes) and grant funding. This is wholly used on the HRA Development Programme.
- **£11.3m** prudential borrowing required in years 4 and 5, i.e. 2024/25 – 2025/26 for the financing of the HRA Development Programme.

Reserves

In last year's budget the decision was taken to amalgamate all the HRA reserves into one general reserve. However for transparency it is now recommended that the CCTV reserves is held separately as this is part of tenants' service charges and is ring-fenced to the CCTV charges.

Business Plan

The decision not to increase rents in 2021/22 will result in an additional £1.8m being drawn down from reserves to maintain existing services levels and planned levels of maintenance and investment in stock. There will be new pressures and spending requirements over coming years. These include new regulations resulting from the Social Housing White paper and Building Regulations, carbon reduction targets and estate regeneration. These will be explored further during 2021/22, as we review our Business Plan and consult with key stakeholders to develop new long-term plans and priorities.

Appendix A1 contains further details regarding the proposed budget, detailing income and expenditure.

Appendix A2 provides information regarding the Housing Investment Plan, outlining the expenditure required to maintain and invest in existing homes.

Appendix A3 provides additional information regarding the HRA Development Programme. It outlines a programme to deliver new council homes through the HRA, between 2021/22 to 2025/26, through a mixture of new build and refurbishment/conversion opportunities. These homes will be comprised of both social rent and shared ownership and will help replace stock loss through the RTB.

Cabinet Member / Officer Recommendations:

That Cabinet endorses the following recommendations for approval at Full Council:

1. Approve:
 - No increase to dwelling rents for 2021/22.
 - The 1-year Revenue budget for 2021/22 and 5-year Capital Programme 2021/22 – 2025/26, as detailed in Appendix A1, noting here is no additional borrowing requirement before 2024/25.
 - The Housing Investment Programme (HIP) as shown in the 1-year Revenue budget and 5-year Capital Programme in Appendices A1 and A2
 - The Housing Development Programme as shown in the 1-year Revenue budget and 5-year Capital Programme in Appendices A1 and Appendix A3
 - An in-year draw-down from the HRA General Reserve to fund planned HIP works carried forward from 2020/21 due to Covid restrictions
 - Approve the delayed draw-down in 2021/22 from general fund reserve, of an agreed 2020/21 budget amendment (£100k) which was previously approved by Full Council Feb 2020, due to delays during the pandemic. This reserve was set aside to finance training for Housing and Landlord Services that would provide in-house skills to retrofit energy efficiency measures to council homes.
2. Authorise the Executive Director of Growth and Regeneration, in consultation with the Cabinet Member for Finance, Governance and Performance, to set service charges in line with the anticipated and actual cost of delivery.

That Cabinet:

3. Approves transfer of the CCTV reserves to a separate reserve (£0.419m).
4. Approves the acceptance and spending of the Social Housing Decarbonisation Demonstrator grant of £1.29m.
5. Authorises the Executive Director of Growth and Regeneration in consultation with the Cabinet Member for Women, Families and Homes, the Section 151 officer and the monitoring officer to take all steps necessary to procure and award contracts during 2021/22 to deliver both the capital and revenue investment plans detailed in Appendices A1 and A2 notwithstanding that individual contracts may exceed the key decision threshold.
6. Authorise the Executive Director of Growth and Regeneration in consultation with the Cabinet Member for Women, Families and Homes to submit appropriate funding applications (including for the carbon retrofit projects), to agree associated grant terms/conditions, and if successful to progress to delivery of these projects via compliant procurement routes.
7. Authorises the Executive Director of Growth and Regeneration, in consultation with the Section 151 Officer and the Cabinet Member for Finance, Governance and Performance (with appropriate legal and procurement advice), to implement the HRA Development Programme set out in Appendix A3 giving authority to:
 - Commit funding of up to £103.7m on the HRA Development programme;
 - Allocate funding between the 'developer-led', 'land-led', property conversions and estate regeneration programmes as appropriate;
 - agree sites for the programme;
 - agree financial expenditure and tenure;
 - authorise bidding and accept Homes England grant where deemed applicable;
 - appoint all contractors and professional services associated with the proposed development through a procurement compliant process, subject to progress reports on the HRA Development Programme being brought back to Cabinet on a quarterly basis; and
8. approve deals for 'developer-led' schemes with all deals to be reported as part of the Officer Executive Decision process.

Notes that all delegated authority given above will follow the Officer executive decision making procedure and that all such decisions will be published

Corporate Strategy alignment:

1. The HRA Business Plan and Budget proposals ensure a quality housing service contributing to the overall corporate objectives particularly around “fair and inclusive” (decent homes that people can afford) and “wellbeing” (healthy and more resilient communities).

City Benefits:

1. Fifteen percent of housing in Bristol is owned and managed by Bristol City Council, therefore decisions about the HRA budget impact directly on a significant number of households, as well as contributing to delivery of objectives in the Council’s Corporate and Housing strategies.
2. Investment will help to safeguard the value of HRA assets; positively impact on the well-being of residents; and ensure health and safety obligations are complied with.
3. The proposal will facilitate the supply of additional affordable housing which will be of benefit to the whole City. Housing is at the heart of the Council’s drive to improve the quality of life for residents and to create thriving communities and attractive places where people positively choose to live. Housing should provide a springboard to achieving a high quality of life and create the opportunity for all to thrive in mixed communities of their choice. Creating a mixed and balanced community with a strong sense of place and liveable environment, can help benefit mental and physical health, social interaction and security. It will also help create greater equality of opportunity and quality of life. The lack of affordable housing causes homelessness and the people who are owed a homelessness duty by the Council are disproportionately young people, disabled people, BAME people and lone parents who are mainly women.

Consultation Details: Consultation is not required

Background Documents:

[Policy statement on rents for social housing](#)

[Decision Statement: Rent Standard 2020](#)

Revenue Cost	£122.1m	Source of Revenue Funding	<i>Rents, other income and HRA balances.</i>
Capital Cost	£322.3m	Source of Capital Funding	<i>Funded within the HRA.</i>
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice: The Council has a duty to agree a balanced HRA budget for the next financial year, as well as maintaining a sustainable long term business plan, which takes account of capital investment needs in its stock and the revenue costs of managing and maintaining it. The HRA budget is ringfenced and must be accounted for separately from the General Fund. It is prudent for the HRA to maintain an appropriate level of reserves.

There are significant financial risks to the sustainability of the HRA going forward as set out in the report, particularly with regard to maintaining an aging stock that requires significant investment to meet modern standards and tenants expectations and meeting the demand for housing hence the need to maximise the income generated which is reliant on rent increases .

The 5 year capital programme includes the overall quantum of housing for developer led schemes. The delegation for developer led schemes is for a total budget of £40m for 2021/22, this is based on indicative figures per site which are subject to change.

No increase to rents means that the inflationary increases in expenditure and to maintain the existing level of service will have to be managed by the use of reserves. This erosion of reserves impacts on both the amount of cash available to invest in homes and/or services, as well as increasing the requirement for borrowing within the HRA. This is illustrated in the 5 year capital programme, no additional borrowing is currently anticipated until 2024/25

when £11.3m of borrowing will be required, by which point the reserves would have been reduced to the minimum level of £21m.

Assumptions have been made with regards to future Right to Buys and capital receipts, if these assumptions are not realised then it will also have an impact on the financing of the capital programme. Also, in allocating income to the individual financial years the timing of external receipts remains uncertain and so amounts have been allocated to individual financial years in proportion to scheme expenditure.

Please see Appendix A1 for detailed financial analysis on the proposed budget.

Finance Business Partner: Wendy Welsh, Finance Manager 13th January 2021

2. Legal Advice: The Council is required to maintain, and review annually, a Housing Revenue Account in accordance with the provisions of the Local Government and Housing Act 1989 and directions issued thereunder.

The report seeks endorsement of the proposed budget for approval by Full Council, including its proposed revenue and capital spending plans, and also delegated authority for the Executive Director, Growth & Regeneration to implement those plans, (as summarised in the appendices) including all procurement activities, without further reference to Cabinet and notwithstanding that individual contracts may exceed £500k.

To ensure the implementation of the programme is lawful, all procurement and contracting activities must comply with the appropriate Procurement Regulations and the councils own procurement rules.

Officers must also ensure the programme remains compliant with the Council's budget and policy framework.

The Secretary of State for Housing, Communities and Local Government issued a Direction on the Rent Standard 2019 which sets out how rents are to be calculated from April 2020.

Legal Team Leader: Eric Andrews, Team Leader Legal, 05th Jan 2021

3. Implications on IT: IT Services continue to work with housing colleagues to help define and deliver operating efficiencies through the use of a digital transformation approach. These budgetary recommendations are not anticipated to impact IT Services

IT Team Leader: Simon Oliver, Director - Digital Transformation, 14th Dec 2020

4. HR Advice: There are no HR implications evident

HR Partner: Celia Williams, HR Business Partner – Growth and Regeneration, 4th Jan 2021

EDM Sign-off	Stephen Peacock	2 nd Dec 2020
Cabinet Member sign-off	Cllr Cheney and Cllr Godwin	7 th Dec 2020
For Key Decisions - Mayor's Office sign-off	Mayor	18 th Jan 2021

Appendix A – Further essential background / detail on the proposal <i>A1 – Budget and MTFP</i> <i>A2 – HIP</i> <i>A3– Development programme</i>	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of	YES
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Exempt Information	NO

Appendix J – HR advice	NO
Appendix K – ICT	NO