

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 18 January 2022

TITLE	HRA Budget and Business Plan 2022-23	
Ward(s)	All	
Author: Sarah Spicer	Job title: Business Innovation Manager	
Cabinet lead: Cllr Tom Renhard Cabinet Member for Housing Delivery and Homes	Executive Director lead: Stephen Peacock Executive Director Growth and Regeneration	
Proposal origin: BCC Staff		
Decision maker: Cabinet Member Decision forum: Cabinet		
<p>Purpose of Report: The report seeks Cabinet’s endorsement of the proposed 2022/23 Housing Revenue Account (HRA) Budget, 5-year medium term plan and 30-year business plan. In addition, it seeks delegated authority to appoint all necessary contractors and apply for / receive grants to deliver the Housing Investment Plan (HIP) (Appendix A2) and HRA Development Programme for new council homes (Appendix A3) (HDP). To ensure long-term viability of HRA finances, the HRA 30-year business plan has undergone a thorough review. Attached for information is summary of the financial modelling, demonstrating a viable long-term position (Appendix A4).</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 28.5k housing stock (approx. 27,000 rented and 1,500 leasehold properties in blocks where the Council continues to maintain the common areas and the fabric of the building). In addition, it manages approximately 1,600 garages and owns a small number of other assets, such as commercial units.</p> <p>A 1-year revenue budget for 2022/23, a 5-year capital programme 2022/23 – 2026/27 and a 30-year plan are being presented for approval. The budget has been set to ensure that the HRA can deliver its essential repairs, maintenance, and improvements to the housing stock, as well as being able to meet current and forthcoming legislative requirements, the city’s priorities for housing delivery, and meeting our own standards and resident priorities. A refreshed 30-year HRA Business Plan has been prepared, which sets out for Council the updated and re-profiled capital expenditure proposals and outlines how the Council plans to finance the capital programme including use of surplus capital receipts, Affordable Housing Fund, grants and HRA borrowing. Savills has provided a written commentary on the 30-year plan priorities and assumptions which is contained in Appendix A4.</p> <p>There are multiple challenges in managing council homes and making decisions regarding priorities for investment:</p> <ul style="list-style-type: none"> • The main source of funding for the HRA is rents and service charges. The average rent for a council home in Bristol is £81.50, the average social rent in in England which is £85.43 • Some of our homes are very expensive to maintain, for example multi-storey flats and old, Victorian-era properties. The cost of managing them is higher than the income generated through rents and service charges • All homes, blocks and estate require significant investment to keep them in good condition and to comply with regulations such as fire safety, asbestos and gas and electrical testing. • Demand for homes is high, there are over sixteen thousand households on Bristol’s housing waiting list, and nearly a thousand homeless households living in temporary accommodation • Like many cities Bristol has declared a climate emergency. There are opportunities to ‘retrofit’ council homes, making changes to reduce the property’s carbon emissions. There are questions about whether this work should be funded by existing tenants or through Government funding, to avoid placing the burden on some of the poorest members of society. 		

- Bristol has many ambitions, including tackling the housing crisis and climate emergency.

We have undertaken extensive consultation with stakeholders to identify the cities ambitions for council housing. The consultation was titled *The Big Housing Conversation: Investing in Council Homes*. The objective was to identify priorities for future investment and options for funding new investment. Investment options were focussed on three main areas: delivering new homes; investing more in the current stock; and energy efficiency and carbon retrofitting.

Appendix B is a detailed report of the consultation work undertaken. Views were sought from key groups including council tenants and leaseholders, councillors and Bristol Citizens. There were 1471 responses to the online consultation. The consultation demonstrated that:

- All key groups considered building new homes and energy efficiency & carbon retrofitting to be the two highest priorities
- There is support to increase rents and to borrow to deliver more, though key groups had differing views regarding the level of increase
- There is support to increase standards in existing homes, though key groups had differing views regarding the level of investment.

The consultation has influenced the development of a one-year budget for 2022/23, five-year medium term financial plan (MFTP) and 30-year business plan. Approval is sought to increase rents by 1% above inflation for 2022/23. The business plan now assumes that rents will increase in line with Government policy, which allows for annual social rent increases at CPI plus 1% until April 2024. All of this additional income will be used to improve standards in existing council homes with investment in:

- Energy efficiency and reducing carbon emissions: an additional £80m to make homes more energy efficient and to reduce carbon emissions, this will ensure all homes reach a minimum EPC of C by 2030. This brings committed HRA funding to a total of £97m for energy efficiency and carbon retrofitting measures, in addition to £42m invested over the previous 5 years. The approach to delivery of this investment will be confirmed following the outcome of the City Leap procurement in 2022.
- Bathroom modernisation programme: £12.5m to commence a five-year bathroom replacement programme that will deliver 5500 new modern bathrooms in council homes by 2027.
- Investing in communal areas, blocks, and estates: add £0.5m to the 2022/23 budget, and in total £8.7m over 5-years, to improve standards in communal areas, blocks and estates. This will help to address known issues around anti-social behaviour and further work will be undertaken to determine how best to utilise this. This will include looking for opportunities to tackle the city's ecological crisis.
- For 2022/23 up to £350k will be made available for council tenants in financial crisis, with applications managed through the council's Local Housing Crisis Prevention fund.

In addition, it is proposed the programme to invest in new council homes is significantly increased, to support city aspirations to deliver more affordable housing. The existing HRA development programme (2021/22 to 2025/26) is committed to delivering 512 new council homes, 49 of these will be delivered in 2021/22. The new 5-year new plan (2022/23 to 2026/27) proposes developing 1720 council homes, requiring £344.4m investment. This rolling programme will see:

- Approximately 685 new homes delivered by 2024 (including the 49 developed in 2021/22)
- A further 1084 are anticipated to 2027.

In addition to this, it is proposed to bring this total to 2,069 council homes by 2028/29 and to then develop or acquire 300 council homes a year over the lifetime of the business plan. This represents a total investment of over £1.8 billion in new council homes.

Further information on the development programme for new council homes is in Appendix A3. The proposed new homes will primarily be social rent but there needs to be a variety of tenures to achieve mixed and sustainable communities, and financially viable schemes. Delegated approval is sought to provide the Executive Director of Growth and Regeneration with the authority to manage and deliver this programme.

The programme will require the council to undertake additional borrowing for financing, with new council homes generating additional income to more than cover the cost of loan repayments. These proposals have all been evaluated through a review of our 30-year HRA Business Plan model, to ensure they are affordable and that the plan stays in surplus through the plan period. Appendix A4 contains an illustration and commentary of the 30-year forecast of HRA income and expenditure, demonstrating the affordability of these proposals.

The proposed levels of investment in existing stock will rely on subsequent decisions, taken annually, regarding rent increases for council tenants. Government policy regarding rents is unknown beyond April 2024. Should the existing policy of allowing above inflationary increases continue, and the council choose to apply this, any funding generated would be used to improve the condition of the existing stock. This would include extending the bathroom replacement programme and increased investment in communal areas, blocks and estates beyond 2027.

Revenue income

The HRA forecasts revenue income of £127.1m for 2022/23 comprised of:

- **£117m** rental income (net, after allowing for rent loss for empty properties)
- **£8.9m** service charges (based on actual costs, plus an inflationary uplift)
- **£1.2m** in charges for other assets, including garages and shops, and interest on balances.

The primary source of income is from rents and service charges. Average rent for council homes is currently, £81.50, compared to a national average of £85.43 in 2021/22. The recommended increase for 2022/23 of 4.1% means average rents will rise to £84.84.

Revenue expenditure

The highest priority for HRA expenditure is to ensure service provision for council tenants and leaseholders, this includes estates and housing services, and repairs, maintenance and improvements to council housing. The budget for 2022/23 will be:

- **£37.3m** for responsive repairs and maintenance, including compliance safety programmes
- **£31.7m** to deliver supervision and management functions
- **£10.6m** delivering special services

There is significant inflationary uplift in costs, particularly for materials, utilities (gas and electricity) and for new contracts. This has particularly impacted budget requirements for repairing, maintaining and improving homes and blocks. However, significant efficiency savings have been identified to offset the new budget pressures.

Capital Programme Expenditure

The 5-year Capital Programme consists of:

- **£338.7m** for the Housing Investment Programme to maintaining and improving the existing stock as set out in Appendix A2 Housing Investment Programme 2022/23.
- **£344.4m** to deliver 1720 new council homes
- **£2.9m** for Housing IT transformation and other sundry items

There will be a robust and transparent review of the business plan every five years, to ensure we are delivering our commitments and that it remains reflective of the city's priorities. Although we will review the plan at key points, it should be remembered that decisions made today will have impact across the life of the plan. Those same decisions will also leave a legacy for the city.

Attached are appendices that provide information regarding the budget, business plan, Housing Investment Plan and delivery programme:

- A1: The 2022/23 HRA budget and MTFP
- A2: Housing Investment Plan
- A3: Housing Delivery Programme

- A4: 30yr Business Plan Model Commentary
- Appendix B: Consultation report
- Appendix D: Risk assessment
- Appendix E: Equalities Impact Assessment
- Appendix F: ECO Assessment

Cabinet Member / Officer Recommendations:

That Cabinet:

1. Recommends to Full Council, a rent increase of 4.1% effective from Monday 4th April 2022, applicable to HRA dwelling and non-dwelling rent (general needs accommodation, supported housing, temporary accommodation and garages).
2. Recommends to Full Council the one-year revenue budget of £127.1m for 2022/23 set out in Appendix A1.
3. Recommends to Full Council the five-year capital programme 2022/23–2026/27, as detailed in Appendix A1.
4. Recommends to Full Council the 30-year business plan as outlined in Appendix A4 noting that this will be subject to annual review and an in-depth review on a rolling 5-year basis.
5. Recommends to Full Council the 30-year finance model as set out at appendix A4 subject to annual review and Full Council approval of the annual budget and 5-year capital plan.
6. Authorise the Executive Director of Growth and Regeneration, in consultation with the Cabinet Member for Housing Delivery and Homes, to set service charges in line with the anticipated and actual cost of delivery.
7. Authorise the Executive Director of Growth and Regeneration in consultation with the Cabinet Member for Housing Delivery and Homes to submit appropriate funding applications (including Homes England grants for development) and if successful to accept funding, agree associated grant terms/conditions and spend the funding) by delivery of the projects (set out in appendices A2 and A3) via compliant procurement routes and use HRA investment plan funds and or reserves to match fund projects to maximise funding opportunities. Such authority to include decisions above £500K and to last for the period of the 5-year capital plan.
8. Authorises the Executive Director of Growth and Regeneration in consultation with the Cabinet Member for Housing Delivery and Homes, subject to keeping within the approved overall HIP budget:
 - a. To approve the priority of the procurement projects set out in Appendix A2, take all steps required to select the appropriate procurement route and to award the contracts (including any above the key decision threshold), in line with the Councils procurement rules and regulations
 - b. to adjust and/or defer (from within the current year’s programme, including those set out in Appendix A2) any project(s) to fund the increased cost of any other project and/or to accommodate other changes in the programme, and
 - c. to add to, or substitute, projects within the HIP programme as circumstances dictate.
9. Authorises the Executive Director of Growth and Regeneration, in consultation with the Section 151 Officer, Cabinet Member for Finance, Governance and Performance and Cabinet Member for Housing Delivery and Homes (with appropriate legal and procurement advice) and, subject to keeping within the approved overall HDP budget, to implement the HRA Development Programme set out in Appendix A3 including:
 - a. all steps necessary to procure and award contracts (including goods, works and professional services) during 2022/23 to deliver the HRA Development programme capital investment plans detailed in Appendix A3 (notwithstanding those individual contracts may exceed the key decision threshold).
 - b. agree the allocation of financial expenditure on schemes within the Programme
 - c. to determine the appropriate nature/mix of tenure appropriate for each scheme
 - d. to identify suitable sites and properties for the programme, including both Council property and acquiring additional land or properties.

10. Notes the Consultation report at Appendix B

Corporate Strategy alignment:

Fair and inclusive:

- Management of council homes is pivotal in providing residents with safe warm, secure and affordable accommodation
- The HRA development programme will ensure the provision of over 2000 new affordable homes, helping alleviate the housing crisis and ensuring the provision of affordable homes across the city

Wellbeing

- Additional funding for energy efficiency and reducing carbon emissions supports the city's response to the climate emergency and ambitious carbon reduction targets

City Benefits

- Fourteen 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.
- A total of £53.4m of the HRA will be re-invested in the maintenance and investment programmes of our homes in 2022/23, helping to safeguard the value of HRA assets; positively impact on the well-being of residents; and ensuring health and safety obligations are complied with.

Consultation Details:

1. Online consultation
2. Consultation promotion
3. Members workshops
4. Resident engagement
5. Staff briefings

See Appendix B: Consultation report for further details.

Background Documents:

Rent Standard (<https://www.gov.uk/government/publications/rent-standard>)

Revenue Cost	£127.1m (one year)	Source of Revenue Funding	Housing Revenue Account
Capital Cost	£686m (5 year capital programme)	Source of Capital Funding	Housing Revenue Account, capital receipts, grant income and borrowing
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.

As set out in the report, there are significant financial pressures on the HRA going forward, particularly with regard to maintaining an ageing stock that requires significant investment to meet modern standards and tenants' expectations, as well as meeting an increasing demand for housing hence the need to maximise the income generated by rents, subject to considerations of affordability for tenants.

The rent increase for the year has been budgeted at CPI plus 1%, as allowed for within the Government's Rent Policy.

This level of increase has been planned to continue for the following 2 financial years. As set out within the report, this will provide the additional funding needed to address several key objectives in the management of the stock, while maintaining the capacity to support borrowing for investment in the improvement and expansion of the stock, as well as a balanced budget and an appropriate level of reserves in accordance with the requirements of Council policy.

Assumptions have been made with regards to future Right to Buys and capital receipts, if these assumptions are not realised then it may have an impact on the financing of the capital programme, if alternative funding should not be available. 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.

Finance Business Partner: Aisha Bapu, Principal Accountant, 06 Jan 2022

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.

The report also seeks broad delegated authority for the Executive Director Growth & Regeneration to implement those plans, across a range of activities, notwithstanding that any one of these may be a matter which would otherwise require specific cabinet approval (ie to proceed without further reference to Cabinet and notwithstanding that the matter would otherwise be a key decision). This authority is to include all procurement activities, (for all goods, works and services) necessary to deliver the Housing Investment Plan and Housing Delivery Programme, and authority to acquire property to meet the HDP programme.

To ensure the implementation of the plan and programme is lawful, all procurement and contracting activities must comply with the appropriate Procurement Regulations and the council's own procurement rules. Officers must also ensure the programme remains compliant with the Council's budget and policy framework.

Legal Team Leader: Eric Andrews, 07 Jan 2022

3. Implications on IT: IT cannot see any implications on IT in regard to this activity.

IT Team Leader: Gavin Arbuckle – Head of Service Improvement & Performance, 13/12/2021

4. HR Advice: There are no HR implications evident

HR Partner: Celia Williams, 21st Dec 2021

EDM Sign-off	Stephen Peacock	05 th Jan 2022
Cabinet Member sign-off	Councillor Tom Renhard	05 th Jan 2022
For Key Decisions - Mayor's Office sign-off	Mayor's office	04 th Jan 2022

Appendix A – Further essential background / detail on the proposal Appendix A1: The 2022/23 HRA Budget Appendix A2: Housing Investment Plan 2022/23 Appendix A3: Housing Delivery Plan 2022/23 Appendix A4: 30yr Business Plan Financial Model	YES
Appendix B – Details of consultation carried out - internal and external	YES
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	YES

Appendix F – Eco-impact screening/ impact assessment of proposal	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
Appendix L – Procurement	NO