

BARNSELY METROPOLITAN BOROUGH COUNCIL

**REPORT OF: EXECUTIVE DIRECTOR GROWTH & SUSTAINABILITY & SERVICE
DIRECTOR FINANCE (S151 OFFICER)**

**TITLE: HOUSING REVENUE ACCOUNT – 2023/24 BUDGET & INVESTMENT
PROPOSALS 2023-28**

REPORT TO:	CABINET
Date of Meeting	8th FEBRUARY 2023
Cabinet Member Portfolios	Regeneration and Culture and Core Services
Key Decision	YES
Public or Private	Public

Purpose of report

To consider the Housing Revenue Account (HRA) budget and rent levels for 2023/24.

The report also outlines the 2023/24 Housing Capital Investment Programme.

Executive Summary

The proposed recommendations support the continued investment in council homes, ensuring that the Council meets all of the requirements of the Social Housing Regulator and keeps tenants safe in their homes. The report also proposes investment to ensure the Council's housing stock meets EPC C / energy efficiency targets by 2030.

Specifically, the proposals are:

- Increase rents by 6.5%;
- Pilot additional work on empty homes to reduce responsive repairs during the first 12 months of a new tenancy;
- Improve data on the Council's stock including damp / mould issues;
- Reinststate the painting programme across council estates;
- Maintain repairs and decent homes investment at existing levels;
- Invest funding to improve the environmental works in neighbourhoods;
- Ensure catch up repairs from the covid period are funded and delivered;
- Provide funding to improve insulation, increasing EPC ratings and make homes more energy efficient for our tenants.
- Establish a Hardship Fund (£0.5M) to be administered by Berneslai Homes.

The report provides Members with background on the pressures within HRA's, which is impacting all stock holding authorities at both a national and local level.

The report also considers the Government's announcement on the rent cap for 2023/24 of up to a maximum of 7%, in acknowledgment of the current cost-of-living crisis. Specifically, a rent increase of 6.5% is proposed on the basis that additional support will be put in place for tenants who are directly affected (financial, practical, and emotional) and allows investment to improve the energy efficiency of homes.

Council Plan Priority

The Council's HRA budget contributes towards the delivery of the Council's Housing Strategy, Homeless Prevention and Rough Sleeping Strategy, Private Sector Housing Plan, and wider housing indicators.

1. **Healthy Barnsley** – Housing is a wider determinant of health and can exacerbate health inequalities. Warm, dry, and safe homes can improve general physical health outcomes and make tenants feel safe. Affordable, well designed, spacious, and secure homes can positively influence mental health and wellbeing.
2. **Growing Barnsley** – Provision of safe, warm, and affordable new homes.
3. **Sustainable Barnsley** – Working to meet the Council’s aspirations to deliver its Zero 40/45 agenda in ensuring that council assets are energy efficient and maximise opportunities to both utilise and generate low carbon energies.

Recommendations

That Cabinet: -

1. **notes the cost pressures on the HRA and efficiencies being proposed to mitigate these to support the longer-term investment needs of the housing stock;**
2. **note the HRA Medium Term Financial Strategy (MTFS) as set out in paragraphs 2.20;**
3. **approve the Housing Revenue Account Draft Budget for 2023/24, as outlined in paragraph 2.22 and detailed in Appendix 1, including the proposed revenue investments totalling £1.1M, [Appendix 2, paragraph 2B refers], with any final amendments being delegated to the Cabinet Spokesperson for Growth & sustainability and the Executive Director for Growth & Sustainability in consultation with the Cabinet Spokesman for Core Services and the Service Director - Finance (S151);**
4. **note the acceleration of EPC and stock condition survey works to complete fully during 2023/24;**
5. **approve a rent increase of 6.5%, which is under the Government’s Rent Cap of 7%;**
6. **approve a non-dwelling rent increase in line with CPI;**
7. **note that both service charges and district heating charges will be subject to a separate review during 2023/24;**
8. **approve the 2023/24 Berneslai Homes Management Fee totalling £15.453M [Appendix 2, paragraph 2C refers], with any final amendments delegated to the Cabinet Spokesperson for Growth & Sustainability and the Service Director, Regeneration & Culture in consultation with the Cabinet Spokesman for Core Services and the Service Director - Finance (S151);**
9. **approve the 2023/24 Berneslai Homes Management Fee for both Gypsy Sites, and the European Social Fund (ESF) Grant totalling £0.216M, both of which are charged to the Authority’s General Fund [Appendix 2, paragraph 2D refers];**
10. **approve the Core Housing Capital Investment programme for 2023/24 totalling £20.394M [£14.849M to maintain decency and £5.545M supplementary works] and note the indicative programme for 2024/25 through 2027/28, outlined in paragraphs 2.24 – 2.25;**
11. **approve in principle, the proposed capital schemes totalling £42.330M, subject to individual reports as appropriate, in line with the Council’s governance arrangements [paragraphs 2.26 – 2.29 refer];**
12. **resolve to recommend to Full Council.**

1. INTRODUCTION

- 1.1 This report provides the 23/24 update of the Housing Revenue Account (HRA) Business Plan and the proposed 23/24 revenue budget for the HRA together with updating the HRA Medium Term Financial Strategy (MTFS).
- 1.2 The business plan and budget are focused on delivering the Council's strategic priorities and working with Berneslai Homes, ensures that all regulatory requirements are satisfied.
- 1.3 The HRA investment programme identifies resources for other housing priorities such as neighbourhood-based improvements and works to the aesthetics of the stock, investing in further health and safety measures in relation to fire safety, and significant investment in energy efficiency.
- 1.4 Resources have also been identified to deliver improvements to tenants' homes to make sure they continue to be well maintained.

The Current Financial Environment / Pressures

- 1.5 The Council's HRA has been under increasing pressure over recent years due to a range of factors including:
 - exceptionally high levels of inflation c.10% which is reflected in the price of materials etc (circa £3M);
 - the historic 4-year rent reduction (2016-2020);
 - relatively low social housing rent levels (Barnsley's rents are the 22nd lowest rents in the country [out of 193] and 6th lowest in Yorkshire [out of 14];
 - an increased regulatory compliance framework;
 - increasing demands on local authorities to ensure that stock meets all fire and building safety legislation, implemented following Grenfell;
 - Pay awards above budgeted levels (circ. £0.7M);
 - Increasing cost of utilities [mainly electricity] (circ. £1.2M); and
 - ensuring that our homes are as energy efficient as possible, with requirements to have all stock at EPC C or above by 2030.
- 1.6 Whilst these new standards and requirements are greatly welcomed by the social housing sector, they have placed additional financial burdens on the HRA, which were not considered when the self-financing model regime was introduced in 2012.
- 1.7 In addition, the Regulator of Social Housing, alongside the Housing Ombudsman, will inspect councils against the consumer standards, decent homes and building safety frameworks. The Council, as landlord, is ultimately responsible for all compliance, regulatory and tenant satisfaction and will seek assurance from Berneslai Homes as managing agent, that those frameworks are robustly adhered to.
- 1.8 It should also be noted that these pressures are taking place within the context of a HRA with depleting stock levels; given Right to Buy losses of up to 150 properties per annum and insufficient funding, land, and resources to replace them. This is resulting in considerable demand on existing stock with around 1,000 homes re-let per annum and 8,500+ on the waiting list.

Updated Financial Position Inclusive of Pressures

- 1.9 Table 1 below shows the impact of the pressures outlined in the paragraphs above, before any mitigations / additional rent increases [above the assumed 3%]. This position reflects the "standstill" position in terms of meeting regulatory compliance, decency standards and keeping tenants safe in their homes [including £1M of additional investment for 23/24 – detailed at Appendix 2] and therefore does not consider any wider investment

improvements in the infrastructure of the stock including EPC/energy efficient homes targets.

TABLE 1 – Financial Position Including Pressures [Pre-Mitigations]

	2023/24 Draft £M	2024/25 Draft £M
INCOME		
Dwellings Rent	(74.440)	(76.132)
Non-Dwellings Rents	(0.396)	(0.435)
Heating Charges	(0.375)	(0.375)
Other Charges for Services and Facilities	(0.465)	(0.465)
Contributions Towards Expenditure	(0.849)	(0.811)
	(76.525)	(78.218)
EXPENDITURE		
Repairs and Maintenance (Including Fees)	23.670	25.649
Berneslai Homes' Management Fee	15.453	16.225
Other Supervision, Management & Special Services	6.975	7.251
Rents, Rates, Taxes and Other Charges	0.291	0.320
Provision for Doubtful Debts	2.119	2.167
Depreciation of Fixed Assets	12.383	12.383
Debt Management Costs	0.108	0.113
	60.999	64.108
Net Cost of Services	(15.526)	(14.110)
Interest Payable and Similar Charges	11.902	11.902
Investment Income	(0.061)	(0.061)
Net Operating Expenditure	(3.685)	(2.269)
Appropriations		
Transfer to/from Major Repairs Reserve	9.194	9.769
Anticipated Gap	5.509	7.500

2. PROPOSAL

Efficiency Strategy

- 2.1 As part of the Council's annual review of the 30-year HRA business plan and to help bridge the funding gap, it is proposed to introduce an efficiency programme across the MTFS period. This programme is designed to drive efficiency within the HRA and Berneslai Homes, encompassing the full complement of HRA budgets, both capital and revenue in nature, including reviewing how available resources are deployed targeted at priorities. These efficiencies will allow resources to be used on key investments in the Council's housing stock across the period and beyond.

The Council

Review of the HRA Share of General Fund Services

- 2.2 The first phase of this review was undertaken during 2022/23 and resulted in a significant saving to the HRA of £1.4M relating to a fundamental review of the HRA's share of the Council's General Fund services.

Approach to Capital Financing

- 2.3 For 2023/24 and beyond, the Council has set a strategy to reduce the contributions to the

capital programme from the revenue account by planning for works required instead of providing funding for notionally depreciated house components in future periods, effectively utilising the accumulated capital balances in lieu.

Berneslai Homes

- 2.4 The Berneslai Homes Value for Money (VFM) Strategy sets out the commitment to achieving VFM. The key aim is to provide cost effective services that give a high level of customer satisfaction and maximise the resources available.
- 2.5 In addition, the Berneslai Homes transformation programme has been in place since 2020, aiming to modernise and ensure efficient service delivery. All key service areas have been reviewed using external consultants. Reviews have been independently undertaken for income, lettings, housing management, repairs and investment, governance, compliance and construction services. To date, £1M of service efficiencies have been identified and it is anticipated that a further £2M will result from the repairs and investment changes arising from the recent reviews (from 2023/24 onwards). Some of the identified efficiencies have been used to fund increased regulatory requirements to meet compliance and safety standards and meet the priorities within the strategic plan.
- 2.6 During 2022/23, as part of the next phase of the transformation work, a full restructure and efficiency exercise has been undertaken resulting in savings of £0.440M, some of which has been used to support new roles in the structure, required to strengthen the approach to compliance and to meet the priorities in the strategic plan. The changes also redistribute staffing from management roles to frontline services supporting tenants.
- 2.7 Significant work has commenced in respect of repairs and how they are managed, which covers two key areas.
- In response to an independent review of repairs, a plan is being developed to shift the emphasis of repairs from a responsive to a planned delivery model; and
 - The introduction of the new IT system for repairs from April 2023 will allow a scheduling system for repairs that will create significant efficiencies in the process, which could generate savings of c.£2.5M.
- 2.8 Members should note that any savings that are generated from this work are not yet factored into the financial position at this stage. These savings may be required to address pressures in the HRA in future years and/or provide the scope for additional investment.
- 2.9 The BH management fee is subsidised annually from the surplus generated by the PRIP contract works undertaken by Construction Services (c.£0.4M). Budgets have been adapted over recent years to meet the additional compliance requirements from the Regulator and the management of additional works arising from these. Berneslai Homes also provides a wide range of services to tenants including tenancy support, mental health, and financial support. External funding is also received for employment and training initiatives (ending December 2023). Other work includes apprenticeships, work placements and graduate placements with a focus on providing opportunities for tenants.
- 2.10 Compared to other housing providers, national independent data illustrates that Berneslai Homes is a high performing low-cost organisation:

TABLE 2: BH Benchmarking

Indicator	Berneslai Homes	Housemark Benchmark (Median)
Housing Management (Cost per Property per Annum)	£306	£396
Responsive Repairs & Empty Homes Cost (CPPPA)	£583	£600
Empty Homes Average Cost Per Property	£1,836	£2,713
Major Works & Cyclical (CPPPA)	£1,272	£1,552
Average Number of Repairs (PPPA)	4.8	2.7

Financial Impact of Mitigations on the HRA

- 2.11 The table below shows the impact on the HRA position for both 23/24 and 24/25 gap after the implementation of the aforementioned efficiencies and indicates remaining gaps of £1.4M in 23/24 and £4.4M in 24/25.

TABLE 3: Impact of Efficiencies

	2023/24	2024/25
	£M	£M
Position (as per Table 1) – Gap Pre-Efficiencies	5.509	7.500
Efficiencies:		
BMBC - GF Recharges Review	(1.428)	(1.428)
BMBC - Review of Capital Financing	(2.152)	(1.000)
Revised Position – Post Identified Efficiencies – Gap	1.929	5.072

Addressing the Gap

Rental Income Consultation

- 2.12 The Government's current rent policy is to allow local authorities to raise rents annually by a maximum of CPI + 1%, for a period of 5 years from 20/21 through 24/25. However, given the current cost of living crisis and inflation currently running at c.10%, the Government has consulted on a potential rent cap for 23/24. The outcome of the consultation was that a rent cap of up to a maximum of **7%** increase is to be established for 23/24.

Implications of Rent Differentials

- 2.13 Members should note that in order for the Council to be able to set a balanced HRA budget for 23/24 and operationally allow a continuation of the existing level of works in relation to decency and compliance a 5.5% rent increase would be required.
- 2.14 However, it should also be noted that a rent increase at this level could pose issues in terms of compliance, decency, and EPC C investment. In addition, not considering a rent increase of up to the maximum allowable may weaken the Council's future lobbying position with respect to any potential future funding from Government.
- 2.15 The table below shows the impact of raising rents by **6.5%** for 23/24 and an indicative 4% in 24/25.

TABLE 4: Impact of Rent Increases @ 6.5%

	2023/24	2024/25
	£M	£M
Position Post Identified Efficiencies (as per Table 3) – Gap	1.929	5.072
Rent Increases:		
23/24 Rent @ 5.5% [an additional 2.5% above previous assumptions]	(1.929)	(1.929)
Breakeven Position	-	3.143

23/24 Rent @ 6.5% Increase [an additional 1% above breakeven position]	(0.702)	(0.702)
Revised Position – Post Proposed 23/24 Rent Increases – Gap / (Surplus)	(0.702)	2.441
Investment – EPC C Financing	0.702	0.702
Revised Position – Post 23/24 Proposed Investments – Gap / (Surplus)	-	3.143
24/25 Rent @ 4% Increase [an Additional 1% Above Previous Assumptions]	-	(0.800)
Revised MTFs Position	-	2.343

2.16 The surplus generated by a rent increase of 6.5% could then be considered for servicing additional borrowing of around c.£30M [dependent on prevailing interest rates and BH deployment plan] which, together with the existing resources of £7.2M [including £1.8M match funding for Social Housing Decarb 2], would significantly contribute towards the estimated £60M cost of bringing all properties to at least EPC C by 2030. Members should also note that the £60M includes works that are already planned as part of decency programmes so this is likely to reduce, although unquantifiable at this stage. BH are to produce an investment / deployment plan to firm up the totality of the financial requirement.

2.17 From the tenants' perspective, an increase of 5.5% would represent an average increase of £4.32 [based on a 52-week basis] whereas at 6.5%, the average increase is £5.11 per week. The additional average rent of £0.85 per week effectively enables the creation of c.£30M investment to tackle EPC C targets and other issues facing the stock. It is also envisaged that delivery of EPC C will enable more efficient energy consumption and reduce energy costs in homes.

2.18 The proposed average rents for the various types of properties, for 23/24 are shown in Table 5.

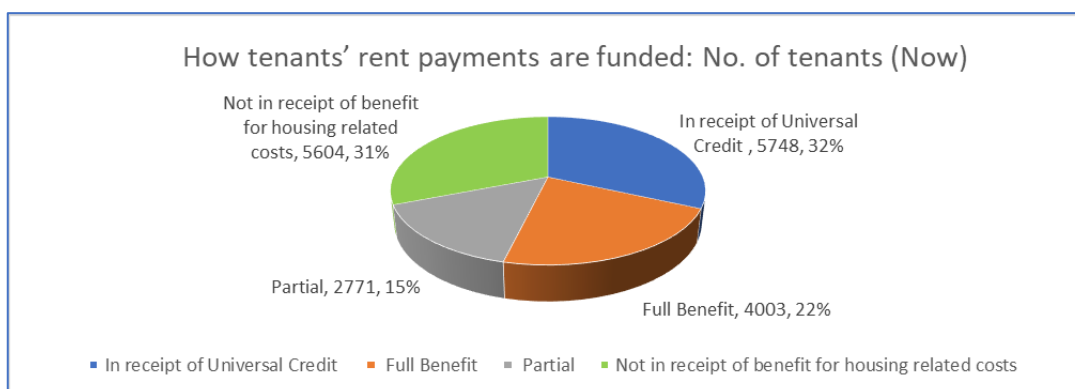
TABLE 5: Average Rent by Property Type @ 5.5% v 6.5% [based on 52 weeks]

Property Type	Number of Bedrooms	Average Rent per Week (Based on 52 Weekly Bills)					Weekly Variance £
		@5.5%		@6.5%			
		2022/23 £	2023/24 £	Weekly Increase £	2023/24 £	Weekly Increase £	
Bedsit	0	58.41	61.62	3.21	62.21	3.80	0.59
Flat	1	67.87	71.60	3.73	72.28	4.41	0.68
	2	76.10	80.29	4.19	81.05	4.95	0.76
	3	81.74	86.24	4.50	87.05	5.31	0.81
Bungalow	1	69.11	72.91	3.80	73.60	4.49	0.69
	2	78.98	83.32	4.34	84.11	5.13	0.79
	3	93.26	98.39	5.13	99.32	6.06	0.93
	4	119.91	126.51	6.60	127.70	7.79	1.19
House	1	71.60	75.54	3.94	76.25	4.65	0.71
	2	78.92	83.26	4.34	84.05	5.13	0.79
	3	84.29	88.93	4.64	89.77	5.48	0.84
	4	91.68	96.72	5.04	97.64	5.96	0.92
	5	102.41	108.04	5.63	109.07	6.66	1.03
	6	118.44	124.95	6.51	126.14	7.70	1.19
Maisonette	3	84.95	89.62	4.67	90.47	5.52	0.85
OVERALL AVERAGE WEEKLY RENT		78.60	82.92	4.32	83.71	5.11	0.79

* Note Tenants are billed on a 48 week basis.

2.19 Furthermore, Members should also note that approximately two thirds of tenants' rents are

met, through either housing benefits or an element of Universal Credit. The table below highlights how tenants pay their rents.



2.20 For the remaining third of tenants who do not receive support with their rents, the Council and Berneslai Homes are committed to provide a wide range of support to assist residents through the cost-of-living crisis. The formal rent increase notice will be accompanied by a letter from Berneslai Homes highlighting the support available to tenants, information sources such as More Money in Your Pocket, and contact phone numbers for any tenant worried about their ability to pay their rent or other household bills. Visiting officers, including in construction, have calling calls to leave with tenants giving contact details for support services. Warm and Welcoming Spaces in Berneslai Homes managed locations will continue to be staffed by Tenant Support Officers. These initiatives, many funded from the Household Support Grant from the Department for Work and Pensions, and directly from Council resources, include:

- **Discretionary housing payments:** short term payments to help cover tenants' housing costs.
- **BH hardship fund:** £500,000 of grants funded by Berneslai Homes efficiency savings and reserves to provide targeted support for those in rent arrears assisting with financial support, utility bills, food, toiletries, and other essential items. This support will be particularly targeted to those tenants who are unable to access benefits or other grants but still face challenges in paying their rent as a result of the cost-of-living crisis. Capped at £1,000 per household per year, the grant is accompanied by tailored support from officers to tackle underlying issues such as debt, unclaimed benefits, mental health, or social isolation.
- **Money Advice Worker:** Berneslai Homes will continue to fund a worker at Citizen's Advice, Barnsley to provide advice and support for those tenants requiring specialist debt work.
- **Furnished Tenancies:** This scheme continues to provide a low-cost option for new tenants to access furniture and white goods without the financial resources to set them up in their new home.
- **Support to residents:** £500,000 grants via community groups, aimed at people in most need, to help with essential household spending such as food, fuel, clothing, and white goods.
- **Christmas holiday clubs:** £60,000 to extend the Healthy Activities Fund, so it's available to children who are not eligible for a free school meal.
- **Local welfare assistance:** £64,000 top-up funding to extend this scheme to March 2023, providing crisis support with the cost of essential bills and white goods.
- **Free school meals:** £15 voucher to support families with the cost of food during the October and February half-terms.

HRA Medium Term Financial Strategy (MTFS) Summary

2.21 On 12th January 2022, the Council set a balanced HRA budget for 22/23 and a framework for delivering a balanced budget in 23/24. Table 6 describes the movement in the financial

position from the previously reported baseline MTFS as described above, including the impact of the review of key assumptions, together with updates in respect of previously agreed decisions and other fixed and ongoing costs. **Recommendation 2 refers.**

TABLE 6: HRA MTFS Position 2023-25

	2023/24 £M	2024/25 £M	Comments
Initial (Surplus) / Gap as at Jan 22	(1.000)	(1.639)	
Rental Income	(1.697)	(2.502)	Assumed rent originally at 3%, now based on assumption of 6.5% in 23/24 and 4% in 24/25. Adjusted for actual stock levels.
Repairs & Maintenance	1.965	3.772	Assumed CPI on repairs originally at 3.1% in 23/24 and 2% in 24/25, now based on an assumed CPI of 10% for both 23/24 and 24/25
Repairs & Maintenance – 23/24 Investment	1.000	0.900	Revenue Investments inc. Painting & Voids Standard (23/24 Only)
Energy Pressure – District Heating	1.200	1.200	Energy pressure - cost of living crisis
Berneslai Homes – Management Fee	0.404	0.899	See Management Fee – Appendix 2
Other Supervision, Management & Special Services.	(1.167)	(1.004)	Review of GF Recharges offset by 5% inflationary increases
Contribution to Capital	(1.827)	(0.454)	Reduction in contributions to the Major Repairs Reserve
Other Costs	0.420	0.469	Other Inflationary Pressures
EPC C Investment – Financing	0.702	0.702	Financing EPC C Investment
Revised (Surplus) / Gap as at Jan 2023 Post Efficiencies / Investments	-	2.343	

2.22 The HRA's balanced position in 2023/24 has been achieved based on a rent increase of 6.5%, whilst ensuring that the pressures faced from rising inflation and energy costs have been managed to enable regulatory compliance, maintaining decency and other stock related investment. In addition, investment of c.£30M in EPC C works has been set aside for future.

2.23 Appendix 1 shows the detailed proposed revenue budget for 23/24 together with the indicative 24/25 and 25/26 positions, on the basis that the proposed revenue investments / rent increases etc. are approved. **Recommendation 3 refers.**

2023 - 28 Council Housing Investment Programme

2.24 The Council's Housing Capital Investment Programme consists of two components:

- **The Core Investment Programme** – These capital programmes relate to maintaining the housing stock at decency, including reactive replacements and elemental works together with a number of supplementary capital programmes relating to works on adaptations and major structural works etc.
- **Housing Growth / Added Value Priorities** – These capital programmes relate to supplementary, added value investment in both the Council's housing stock and housing related activities.

The Council's Core Investment Programme

2.25 The Council's Decency Programme relates to the capital replacement of components [kitchens, bathrooms, heating systems, windows, external doors etc] within the Council's housing stock, thereby maintaining the Barnsley Homes Decency Standard and thus the regulatory requirements to meet the Decent Homes Standard from the Regulator of Social

Housing. Investment in the council housing stock ensures that properties remain lettable, and the rental income ensures the viability of the HRA. In terms of 23/24, c.1,200 dwellings will be maintained at decency with the associated resources set aside totalling **£14.849M**. **Recommendation 10 refers.**

- 2.26 The Council also plans a series of supplementary investment works to support the Core Decency Programme in respect of supporting district heating networks, funding major adaptations to properties, providing works to void properties to bring them up to standard, and more fundamental structural works that are required to the Council's housing stock. The investment proposed for 23/24 totals **£5.545M**. **Recommendation 10 refers.**

Housing Growth / Added Value Priorities

- 2.27 A fundamental review of existing and future HRA resources has been undertaken by the Council's S151 Officer and a reprioritisation exercise completed, which reflects the current risk environment within the HRA. The total level of resources therefore identified for investment purposes, totals **£42.330M** and detailed within the HRA Reserves Strategy at Appendix 3.
- 2.28 A number of capital investment proposals have been submitted by both Berneslai Homes and Council officers for consideration in line with the agreed process. The investments prioritised at this stage, and requiring approval are summarised in Table 7. **Recommendation 11 refers.**

TABLE 7: Capital Investment Priorities 2023 – 2027 (Subject to Approval)

<u>Programme</u>	<u>Investment Proposal</u>	TOTAL £M
Core	HRA Decency Programme	14.849
Core	HRA Supplementary Works	5.545
Sub Total – Core Programme		20.394
Housing Growth / Added Value	Catchup Replacement Programme	2.630
Housing Growth / Added Value	Non-Traditional Archetype Fire Works	0.500
Housing Growth / Added Value	Social Housing Decarb Fund 2 – [Includes £1.8M Grant]	3.600
Housing Growth / Added Value	EPC C Works	33.600
Housing Growth / Added Value	Neighbourhood / Environmental Works	2.000
Sub Total - Housing Growth / Added Value		42.330
2023 - 2027 Capital Investments		62.724

- 2.29 The schemes above have been included in the Council Housing Investment Programme in Appendix 4 subject to formal approval.
- 2.30 For schemes that have, at this stage, been deferred, these will form part of the Council's pipeline of capital investment priorities moving forwards in line with the Council's Capital Investment and External Funding Strategies, whereby should any further resources be identified, then these schemes will be considered accordingly.

Housing Retrofit Investment Strategy

- 2.31 The most demanding target for the Council is the requirement that all council homes will need to meet EPC C by 2030. As part of the 2021 annual business plan and Asset Management Strategy, Berneslai Homes are currently undertaking property condition surveys to improve data quality, with an acceleration of undertaking 100% of stock surveyed by the end of 23/24. A desktop exercise has also been undertaken by external consultants, Savills, who have estimated the current condition of the housing stock and based on current and modelled data, there are 13,393 properties that are currently below EPC level C (71%).

- 2.32 However, it should be noted that 5,800 of these require minimal works to achieve EPC C with the remaining 7,600 requiring more substantial fabric and heating works which could include external wall insulation, top up insulation, heat pumps and solar PV. The estimated indicative costs of achieving EPC C by 2030 is c.£60M.
- 2.33 Cabinet will note that this proposed budget affords investment of **£37.2M** towards these works through a combination of reprioritised reserves, external grant monies and borrowing. Furthermore, the estimated c.£60M required also includes works already planned in terms of the decency programme over the forthcoming years.
- 2.33 Berneslai Homes are working with the Council to prepare a detailed and phased investment programme based on robust asset management data and baseline EPCs. It is essential that retrofit works are delivered alongside existing programmes, where possible, to ensure efficient delivery and minimal disruption to tenants. This includes plans to deliver energy retrofit measures to void properties and linked to decency and other major projects.

Summary

- 2.34 Appendix 4 summarises the capital investment into the housing stock, including both the Core Programme and Housing Growth / Added Value Investments, and shows the resources proposed to fund these programmes. Appendix 5 shows the specific schemes included relating to housing growth / added value investments – totalling £73.7M.

3. IMPLICATIONS OF THE DECISION

Financial Implications -

- 3.1 Consultations have taken place with representatives of the Service Director – Finance (S151 Officer).
- 3.2 The proposed budget is based on a rent increase of 6.5% for 23/24 and an indicative 4% in 24/25. This means that the Council can continue to provide decency, adhere to regulatory requirements, and invest significantly in EPC C related works.
- 3.3 The total estimated cost of the core capital programme (including 2022/23) is £133.3M and is affordable over this period.
- 3.4 In addition, there are proposals contained within the report totalling £42.3M of new investment in the Council house stock for 23/24 through 26/27. The total estimated cost of the current Housing Growth Investment capital programme, including the £42.3M, totals £73.7M, which is to be funded by specific resources currently held within the HRA.
- 3.5 These budget proposals ensures that services to tenants and capital investment to improve housing stock can be delivered.
- 3.6 **Risks** – None identified.
- 3.7 **Legal** - Any application of Section 106 money towards this project must be within the terms of the Section 106; the Council should ensure that any necessary audit trail of expenditure is captured to demonstrate that it is within scope and within any time limits of the Section 106 funding used.
- 3.8 **Equality** - A full EIA will be completed following the finalisation of the Budget and Berneslai Homes Strategic Plan and Business Action Plan 2023/24; ensuring that actions and activities align with the BH Equality, Diversity and Inclusion strategy and Customer Involvement Agreement within the Strategic Plan.

3.9 Sustainability



3.10 **Employee** - There are no issues arising directly from this report.

3.11 **Communications**

Communications and Marketing will work in partnership with Berneslai Homes to communicate the outcomes of this report through their established channels.

Berneslai Homes will use their established channels to engage with their tenants who will be directly affected by the proposed capital works.

4. **CONSULTATION**

- 4.1 Discussions have taken place with the Service Director – Finance (S151 Officer) and the Executive Director – Growth & Sustainability.
- 4.2 Consultations have and will continue to take place with Berneslai Homes Management team and tenants.
- 4.3 Consultations with local members on the Barnsley Homes Standard and on any other major capital schemes in their area will continue to take place.
- 4.4 Consultations on the Council Housing Capital Investment Programme have and will continue to take place with Planning and Highways, Property Services, Legal Services, and Internal Audit where appropriate.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 The budget has been developed with the aim of ensuring wherever possible that existing approved policies and support of corporate strategies can continue to be delivered. From the many alternative approaches available the package of proposals in this report is considered to best achieve this intention.

6. REASONS FOR RECOMMENDATIONS

6.1 This report is required to fulfil the Council's statutory duty to set a Housing Revenue Account budget for 2023/24.

7. GLOSSARY

N/A

8. LIST OF APPENDICES

- Appendix 1 – The HRA Revenue Budget
- Appendix 2 – HRA Revenue Budget - Detail
- Appendix 3 – HRA Reserves Strategy
- Appendix 4 – Council Housing Investment Programme
- Appendix 5 – Housing Growth / Added Value Capital Programme

9. BACKGROUND PAPERS

- 9.1 Welfare and Work Act 2016
- 9.2 Housing and Planning Act 2016
- 9.3 Budget working papers containing exempt information - not available for inspection.

10. REPORT SIGN OFF

Financial consultation & sign off	Phil Danforth 30 th November 2022 Financial Implications contained within and throughout the report
Legal consultation & sign off	Sukdave Ghuman, 30 January 2023

Report Author: Neil Copley
Post: Service Director – Finance (S151 Officer)
Date: 30th November 2022

Appendix 1

The HRA Revenue Account

	2022/23 Approved £M	2023/24 Draft For Approval £M	2024/25 Draft £M	2025/26 Draft £M
<u>INCOME</u>				
Dwellings Rent	(73.553)	(76.969)	(79.483)	(81.287)
Non-Dwellings Rents	(0.361)	(0.396)	(0.435)	(0.449)
Heating Charges	(0.450)	(0.375)	(0.375)	(0.375)
Other Charges for Services and Facilities	(0.465)	(0.465)	(0.465)	(0.465)
Contributions Towards Expenditure	(0.911)	(0.849)	(0.811)	(0.526)
	(75.740)	(79.054)	(81.569)	(83.102)
<u>EXPENDITURE</u>				
Repairs and Maintenance (Including Fees)	20.695	23.670	25.649	26.231
Berneslai Homes' Management Fee	13.760	15.453	16.225	16.712
Other Supervision, Management & Special Services	6.602	5.547	5.823	5.996
Rents, Rates, Taxes and Other Charges	0.265	0.291	0.320	0.329
Provision for Doubtful Debts	2.207	2.191	2.263	2.314
Depreciation of Fixed Assets	12.383	12.383	12.383	12.383
Debt Management Costs	0.103	0.108	0.113	0.117
	56.015	59.643	62.776	64.082
Net Cost of Services	(19.725)	(19.411)	(18.793)	(19.020)
Interest Payable and Similar Charges	11.256	12.428	12.428	12.428
Investment Income	(0.054)	(0.061)	(0.061)	(0.061)
Net Operating Expenditure	(8.523)	(7.044)	(6.426)	(6.653)
<u>Appropriations</u>				
Transfer to/from Major Repairs Reserve	8.523	7.044	8.769	9.356
Base Budget	-	-	2.343	2.703

Appendix 2

HRA Budget Detail

Revenue Investment Proposals

- 2A In line with the strategy and within the financial context outlined in Section 1, a number of revenue investment proposals have been identified by both Berneslai Homes and the Council for consideration.
- 2B These proposals have been assessed in line with the agreed process ensuring that resources are aligned to the Council's housing and other strategic priorities. The investments prioritised for consideration are summarised in Table A.

TABLE A: HRA Revenue Investment Priorities 2023-25

Permanent Revenue Investment Proposals	2023/24 £M	2024/25 £M	Investment Theme
HRA 1 – Enhanced Voids Standard	0.100	-	Repairs & Maintenance – Best Practice
HRA 2 – Painting Programme	0.900	0.900	Repairs & Maintenance – Best Practice
HRA 3 – Housing Ombudsman Subs	0.100	0.100	Other
Sub Total – Investments	1.100	1.000	

Berneslai Homes Management Fee

- 2C The proposed Berneslai Homes Management Fee in respect of the HRA is estimated at £15.453M for 2023/24 and indicatively £16.225M in 2024/25 as detailed in Table B (**Recommendation 8 refers**).

TABLE B: Berneslai Homes HRA Management Fee

	2023/24 £	2024/25 £
BH HRA Management Fee Bfwd	13,760,082	15,452,786
<u>Less One-Off Investments</u>		
Lettings Policy Implementation	(66,000)	-
Income Services Modernisation	(120,000)	-
Revised Base	13,574,082	15,452,786
<u>Investment & Other Policy Decisions</u>		
Inflation @ 5%	678,704	772,639
Energy Increase	1,200,000	-
	1,678,704	772,639
Proposed BH HRA Management Fee	15,452,786	16,225,425

- 2D In addition to the proposed management fee charged to the HRA as per Table B, Berneslai Homes also charge the Council's General Fund in respect of two specific items which are described below:

- for the management of the Gypsy sites in the Borough, which totals a proposed £0.065M for 2023/24 (£0.072M in 2022/23).
- The Council and Berneslai Homes have been successful in securing European Social Fund (ESF) grant for two employment support projects, "Sector Routeways" and "Tenants First". The cost of the two projects are

split between the two respective organisations. The Berneslai Homes' element is transferred to the Council's General Fund via the management fee with the Council receiving the full grant entitlement. The expected cost to Berneslai Homes totals £0.151M in 2023/24 (£0.151M in 2022/23).

Recommendation 9 refers.

2E Therefore, the proposed Berneslai Homes Management Fee to the Council in totality for 2023/24 totals £15.669M.

Other Supervision, Management & Special Services

2F The HRA is charged for its share of General Fund services that it consumes in providing services to tenants. The proposed changes are shown in Table C.

TABLE C: Other Supervision, Management & Special Services Budget 2023-25

	2023/24 £	2024/25 £
Other Supervision, Management & Special Services Bfwd	6,602,002	5,547,274
<u>BMBC General Fund Direct Charges</u>		
Fundamental Review of Charging Mechanisms to HRA	(1,427,921)	-
<u>Investment & Other Policy Decisions</u>		
Inflation @ 5%	273,193	275,339
Housing Ombudsman Subscription	100,000	-
	373,193	275,339
Proposed Other Supervision, Management & Special Services	5,547,274	5,822,614

Non-Dwelling Rents, Service Charges and Heating Charges

2G The Council is proposing to increase non dwelling rents [garages etc.] in line with CPI (c.10%) for the 2023/24 year. **Recommendation 6 refers.**

2H It is proposed to review the Council's Sheltered / Communal Housing District Heating Charges and the suite of service charges that are charged to tenants during 2023/24. **Recommendation 7 refers.**

Appendix 3

The HRA Reserves Strategy

- 3A A review of existing HRA reserves has been undertaken by the Council's S151 Officer and a reprioritisation exercise completed, reflecting the current risk environment within the HRA.
- 3B The HRA has accumulated reserves totalling £28.8M as at the end of the 2021/22 financial year, as reported in the Housing Revenue Account Final Accounts Report (Cab.1.6.2022/10 refers). (Table A refers).
- 3C Berneslai Homes Ltd has also accumulated a level of surpluses from previous few years. In 2018/19, the Council identified resources totalling £8.9M that were made available for Council and Berneslai Homes priorities.
- 3D Since that time, £4.6M has been incurred on those priorities, which leaves £4.4M remaining which has been fully prioritised against schemes identified as part of previous budget setting cycles.
- 3E The Council also retains an element of the capital receipts that are generated from the sale of Council Houses. Currently an amount of £2.3M has been retained. Upon review, £1.8M of these resources has already been committed, leaving **£0.5M** for consideration. Furthermore, the Section 151 Officer has released a further **£0.5M** of anticipated capital receipt resources to support the housing capital investment programme from 2023/24.
- 3F The proposed 23/24 revenue budget affords provision for c.£30M of new borrowing to financing capital expenditure on its EPC C works. This has been factored into the HRA Reserves Strategy accordingly.
- 3G The Council has submitted a bid for Social Housing Decarbonisation Fund Phase 2 funding, which totals £1.8M. It is anticipated that this bid will be successful.
- 3H The Council also receives Section 106 (S106) contributions from housing developers as part of the agreements to allow house building in the borough. The Council currently has restricted S106 funds of £3.3M specifically for housing purposes.
- 3I The Council maintains a Major Repairs Reserves which is used to fund capital commitments over the 30-year business planning period. A significant review of these balances has been undertaken by the S151 Officer.
- 3J A review of existing housing schemes has been undertaken which has identified a number of schemes that are to be deprioritised, freeing up those resources for other priorities.

TABLE A: HRA Resources Review & Investment Position

HRA Resources	Balance as of 1 st April 2022	Anticipated Resources	Current Commitments	Remaining for Consideration
	£M	£M	£M	£M
<i>Housing Reserves</i> <i>Earmarked For:</i>				
Housing Growth Reserve	19.027	-	(16.444)	2.583
Welfare Reform Reserve	2.000	-	-	2.000
Other	0.816	-	-	0.816
Minimum Working Balance	7.000	-	(7.000)	-
Housing Reserves	28.843	-	(23.444)	5.399
Berneslai Homes Reserves	8.900	-	(8.900)	-
Capital Receipts	2.269	0.500	(1.798)	0.971
Borrowing	-	30.000	-	30.000
Grants	-	1.800	-	1.800
S106 Contributions	3.300	-	(3.300)	-
Major Repairs Reserve (MRR)	18.119	20.907	(39.026)	4.160
Total	61.431	53.207	(72.308)	42.330

Appendix 4 - Council Housing Investment Programme 2023 - 2028

	2022/23 £M	Existing 2023/24 £M	For Approval 2023/24 £M	Indicative 2024/25 £M	For Approval 2024/25 £M	Indicative 2025/26 £M	For Approval 2025/26 £M	Indicative 2026/27 £M	Indicative 2027/28 £M	TOTAL (inc. 2022/23) £M
Expenditure:										
Core Programme:										
1 Barnsley Homes Standard	15.610	-	14.849	16.121	-	16.545	-	16.836	17.132	97.093
2 Heating Works	0.435	-	0.858	0.943	-	0.972	-	0.991	1.011	5.210
3 Major Adaptations	2.507	-	2.206	2.424	-	2.497	-	2.547	2.597	14.778
4 Structural Extensive Works	2.185	-	1.852	2.035	-	2.096	-	2.138	2.181	12.487
5 Other	0.629	-	0.629	0.629	-	0.629	-	0.629	0.629	3.774
	21.366	-	20.394	22.152	-	22.739	-	23.141	23.550	133.342
Housing Added Value Priorities:										
6 New Build	14.610	-	-	-	-	-	-	-	-	14.610
7 Acquisitions / Conversions	1.157	-	-	-	-	-	-	-	-	1.157
8 Regulatory / Compliance	9.145	-	3.130	-	-	-	-	-	-	12.275
9 Zero Carbon Initiatives	1.213	0.250	3.550	0.250	3.650	0.250	30.000	0.250	-	39.413
10 Other Housing Growth	4.235	-	1.000	-	1.000	-	-	-	-	6.235
	30.360	0.250	7.680	0.250	4.650	0.250	30.000	0.250	-	73.690
11 Total Expenditure	51.726	0.250	28.074	22.402	4.650	22.989	30.000	23.391	23.550	207.032
Resources:										
12 Major Repairs Reserve	(22.366)	-	(23.585)	(22.152)	(1.000)	(22.543)	-	(22.941)	(23.348)	(138.533)
13 Capital Receipts	(1.856)	-	(0.940)	-	-	-	-	-	-	(2.796)
14 1-4-1 Capital Receipts	(3.354)	-	-	-	-	-	-	-	-	(3.354)
15 HRA Reserves	(15.443)	(0.250)	(2.649)	(0.250)	(2.750)	(0.250)	-	(0.250)	-	(21.842)
16 Borrowing	-	-	-	-	-	-	(30.000)	-	-	(30.000)
17 Grants & Contributions	(7.963)	-	(0.900)	-	(0.900)	-	-	-	-	(9.763)
18 RCCO	(0.744)	-	-	-	-	-	-	-	-	(0.744)
19 Total Resources	(51.726)	(0.250)	(28.074)	(22.402)	(4.650)	(22.989)	(30.000)	(23.391)	(23.550)	(207.032)
CORE PROGRAMME FOR APPROVAL		20.394	As per Recommendation 10							
ADDED VALUE PROGRAMME FOR APPROVAL		42.330	As per Recommendation 11							
TOTAL PROGRAMME FOR APPROVAL		62.724								

A full breakdown per scheme of the Council's current housing growth investment schemes can be found at Appendix 5, which includes the 2023/24 investments that are subject to approval.

APPENDIX 5 - Housing Growth Capital Programme		2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL
		£M	£M	£M	£M	£M	£M
<u>New Build</u>							
Billingley View		2.641	-	-	-	-	2.641
St Michael's Avenue		5.515	-	-	-	-	5.515
Laithes Lane		1.132	-	-	-	-	1.132
Goldthorpe Market Phase 1		2.322	-	-	-	-	2.322
Goldthorpe pre-1919 Housing Strategy		3.000	-	-	-	-	3.000
		14.610	-	-	-	-	14.610
<u>Acquisitions / Conversions</u>							
Property Conversions		0.388	-	-	-	-	0.388
Empty Homes		0.724	-	-	-	-	0.724
Barnsley Road – Refurb		0.045	-	-	-	-	0.045
		1.157	-	-	-	-	1.157
<u>Regulatory / Compliance</u>							
Sprinkler Installation Scheme		1.986	-	-	-	-	1.986
Fire Safety Works		0.015	-	-	-	-	0.015
Fire Safety Budget - High Rise in Scope Buildings		1.500	-	-	-	-	1.500
Spandrel Panels		0.600	-	-	-	-	0.600
Asbestos Removal Aldham House & Royston		0.600	-	-	-	-	0.600
Princess Street - Floor Replacement		1.200	-	-	-	-	1.200
Water Ingress 3 X High Rise / Flood Works Stacey Cres.		1.200	-	-	-	-	1.200
Smoke & CO Alarms		2.044	-	-	-	-	2.044
Catchup Repairs Programme		-	2.630	-	-	-	2.630
Non-Traditional Archetype Fire Works		-	0.500	-	-	-	0.500
		9.145	3.130	-	-	-	12.275
<u>Zero Carbon Initiatives</u>							
Installation of Solar PV		-	0.250	0.250	0.250	0.250	1.000
Social Housing Decarbonisation Phase 1 - Match Funding		1.000	-	-	-	-	1.000
LAD 2 - Match Funding		0.213	-	-	-	-	0.213
Social Housing Decarbonisation Phase 2		-	1.800	1.800	-	-	3.600
EPC C - Kick Start Scheme		-	1.750	1.850	30.000	-	33.600
		1.213	3.800	3.900	30.250	0.250	39.413
<u>Other Housing Growth</u>							
Neighbourhoods / Environmental Works		-	1.000	1.000	-	-	2.000
HRA Repairs System		1.311	-	-	-	-	1.311
Lang Avenue Flooding Resilience Works		1.007	-	-	-	-	1.007
Other Housing Growth		0.417	-	-	-	-	0.417
Capital Contingency		1.500	-	-	-	-	1.500
		4.235	1.000	1.000	-	-	6.235
TOTAL - PER APPENDIX 4		30.360	7.930	4.900	30.250	0.250	73.690
2023/24 Proposals		42.330	As per Recommendation 11				