

BARNSELY METROPOLITAN BOROUGH COUNCIL

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

TITLE: HOUSING REVENUE ACCOUNT – DRAFT 2024/25 BUDGET &
CAPITAL INVESTMENT PROPOSALS 2024-29

REPORT TO:	Cabinet
Date of Meeting	24 January 2024
Cabinet Member Portfolio	Core Services Regeneration and Culture
Key Decision	Yes
Public or Private	Public

Purpose of report

To present to Cabinet the Housing Revenue Account (HRA) budget and proposed rent levels for 2024/25. The report also outlines the 2024-29 Housing Capital Investment Programme and details key elements of the HRA business plan. The report also seeks approval from Cabinet to agree the recommendations set out in the report.

Executive Summary

The report sets out the revenue and capital budgets for the HRA for 2024/25 alongside indicative forecasts for future years. The proposed recommendations support the continued investment in council homes, ensuring that the Council meets all the requirements of the Social Housing Regulator and keeps tenants safe in their homes.

Specifically, key proposals for consideration / to note are:

- Increase rents, non-dwelling rents & service charges by 7.7%, to maintain decency and to avoid cuts to services in 2024/25 and future years;
- Berneslai Homes efficiency savings proposal of £1M;
- Develop and Invest in a c£43m, 5 Year Social Housing New Build & Acquisition Programme;
- Maintain repairs and decency standards by shifting the emphasis in 2024/25 to more responsive repairs and less capital works whilst Berneslai Homes assess the current investment approach, analyse the stock condition data and develop the best strategy for investment from 2025/26;
- New Investment in Berneslai Homes Damp, Mould & Disrepair Team £0.250M.

The report provides Members with background on the pressures within HRA's, which are impacting all stock holding authorities at both a national and local level. The HRA faces a series of difficult challenges over the coming years for a variety of reasons as noted in this report.

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. Investment via the HRA to ensure that our homes remain warm, dry, and safe homes can improve general physical health outcomes. Affordable, well designed, spacious, and secure homes can positively influence mental health and wellbeing.
2. **Growing Barnsley** – Via investment in new stock, the Council will increase the provision of safe, warm, and affordable new homes within the borough; contributing to housing growth and aiming to mitigate against stock lost via Right to Buy.
3. **Sustainable Barnsley** – Investment in new sustainable homes or retrofit works to existing stock will contribute to increased energy efficiency and reduced carbon emissions. This seeks 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.
4. **Learning Barnsley** – investment in housing will deliver social value, jobs and learning opportunity outcomes.

Recommendations

That Cabinet is recommended to forward to Full Council to approve: -

1. **The HRA draft budget business plan for 2024/25 & note the MTFs (Medium Term Financial Strategy), 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, the Director of Finance (S151); and Service Director Regeneration and Culture (Client lead for Berneslai Homes).**
2. **A rent, non-dwelling rent, service charge and District Heating kWh increase of 7.7% in line with the Government’s Rent Cap to maintain decency and to avoid cuts to services in 2024/25 and future years;**
3. **The 2024/25 Berneslai Homes Management Fee totalling £16.674M, plus Gypsy and Traveller Management fee of £0.069M charged to the General Fund. Total £16.743M;**
4. **The Core Housing Capital Investment Programme for 2024/25 totalling £17.939M Appendix 1;**
5. **In principle, the proposed 5-year New Build and Acquisitions Programme £42.861M (up to c200 properties), subject to individual reports as appropriate, in line with the Council’s governance arrangements (Appendix 2);**
6. **A one year only £4.9M priority adjustment from Capital BHS to responsive Revenue Repairs to fund current demand whilst maintaining decency standards.**

1. INTRODUCTION

- 1.1 This report provides the 2024/25 update of the Housing Revenue Account (HRA) 30-year Business Plan and the proposed 2024/25 revenue & capital 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.

Current HRA Financial Environment / Pressures & Strategic Outlook

- 1.3 The Council's HRA has been and continues to be under increasing pressure over recent and future years due to a range of factors including but not limited to:
- Exceptionally high levels of inflation (CPI September 2023 6.7%);
 - Uncertain fiscal economic conditions & cost of living crisis;
 - Material & Construction inflation running at higher levels than CPI due to lack of availability in the UK market;
 - The historic 4-year rent reduction (2016-2020), and the Council choosing not to increase rent by the full government cap in subsequent years resulting in ongoing lost base income to the HRA;
 - An increasing order book in relation to repairs and maintenance works & increasing disrepair claims;
 - The need for efficiencies in the HRA to meet challenges;
 - An increased regulatory compliance framework due to central Government policy changes;
 - Social Housing Regulation Act July 2023;
 - Renters reform bill;
 - Awaabs law – Damp & Mould Legislation;
 - Increasing demands on local authorities to ensure that stock meets all fire and building safety legislation, implemented following Grenfell & the Hackett report outcome;
 - Decent Homes 2 requirement on the horizon but details yet unknown (noting Wales have introduced flooring in their new standard estimated at cost of £2M pa);
 - Ensuring that our homes are as energy efficient as possible, with longer term Carbon Net Zero aspirations on the horizon, costs of which are yet to be fully understood but are likely to be significant, (NB: the recent UK Government U-turn on EPC targets for 2025);
 - Managed decline nationally of the HRA;
 - Homelessness & temporary accommodation pressures;
 - Stock in deteriorating condition (some homes nearly 100 years old);
 - Introduction of Universal Credit resulting in pressures on rent collection;
 - Investment in IT Asset system and Rental Income software.
- 1.4 The Regulator of Social Housing, alongside the Housing Ombudsman, will inspect councils against the consumer standards, rent standards, decent homes and building safety frameworks (it is worth noting that the fees for both have increased significantly by £0.140M to £0.250M to reflect increased assessment requirements). 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. The Council (and its Councillors) needs to be prepared for inspection, potentially in Spring 2024. Work is ongoing to ensure, the Council has the best possible level of preparedness for an inspection.
- 1.5 Whilst 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.

- 1.6 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 c150 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 5,500 on the waiting list.
- 1.7 Government policy is still fundamentally directed towards social housing being a solution for people for when they need it and only for as long as they need it, with the emphasis being on encouraging home ownership. At the same time the Government is looking to reduce the national housing benefit budget which will indirectly impact on housing authorities, not least through the ongoing impact of Universal credit.
- 1.8 Housing is a long-term business – it would not be prudent to look at the budgets over the short term – and present trends need to be considered when forecasting for the future. The plan is to manage resources and to put the HRA into the best possible position to respond to the direction of travel whilst at the same time undertaking a thorough review of the housing service both to modernise the existing offer and to respond to the changes and challenges that continue to emerge.
- 1.9 This aligns to the Capital Strategy, which requires Local Authorities to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability, and affordability.

2. PROPOSAL

2.1 Initial Budget Gap

Updated Financial Position Inclusive of Pressures

- 2.1.1 Table 1 below shows the impact of the expected pressures as result of forecasted CPI levels and inflationary rent rises originally included in the 2023/24 Business Plan.

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

	2024/25 Draft £M	2025/26 Draft £M
<u>INCOME</u>		
Dwellings Rent	(79.483)	(81.287)
Non Dwellings Rents	(0.435)	(0.449)
Heating Charges	(0.375)	(0.375)
Other Charges for Services and Facilities	(0.465)	(0.465)
Contributions Towards Expenditure	(0.811)	(0.526)
	(81.569)	(83.102)
<u>EXPENDITURE</u>		
Repairs and Maintenance (Including Fees)	25.649	26.231
Berneslai Homes' Management Fee	16.225	16.712

Other Supervision, Management & Special Services	5.823	5.996
Rents, Rates, Taxes and Other Charges	0.320	0.329
Provision for Doubtful Debts	2.263	2.314
	50.280	51.582
Net Cost of Services	(31.289)	(31.520)
Capital Financing	33.632	34.223
Anticipated Gap	2.343	2.703

2.2 HRA Medium Term Financial Strategy (MTFS) Summary

2.2.1 On 12th January 2022, the Council set a balanced HRA budget for 2023/24 and a framework for delivering a balanced budget in 2024/25. Table 2 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 1** refers.

TABLE 2: HRA MTFS Position 2024-26

HRA MTFS	2024/25 £M	2025/26 £M	Comments
Initial 2024/25 (Surplus) / Gap as of Feb 23	2.343	2.703	
Rental Income	(2.707)	(2.766)	Assumed rent originally at 4%, now based on assumption of 7.7% in 24/25 and 3% in 25/26. Adjusted for actual stock levels.
District Heating, Service Charges & Other Income	(0.087)	(0.079)	Increased at 7.7% in line with rents.
Repairs & Maintenance	(0.670)	(0.232)	Assumed CPI on repairs originally at 9.9% in 24/25 and 3% in 25/26, now based on an assumed CPI of 6.7% for 24/25 and 5% in 25/26. Adjusted for stock levels.
Repairs & Maintenance - Responsive Repairs	4.940	-	Responsive Repairs – Priority Investment – De-prioritise additional capital.
Repairs & Maintenance – BH Efficiencies	(1.000)	(1.000)	New IT System will enable approx. an additional 1 job per operative on responsive repairs per day increasing productivity

BH Management Fee - Inflation	0.274	0.621	Assumed 5% & 3% now based on 6.7% & 3%
BH Management Fee - Pensions	(0.076)	(0.076)	Reduced actuarial assessment charges
BH Management Fee - Damp, Mould & Disrepair Team	0.250	0.250	Investment in new DMC dedicated team
Revenue Investment	0.350	0.350	Essential Repairs
Housing Ombudsman & Regulator of Social housing fees	0.140	0.140	General increase in fees
Tenant Disrepair Compensation	0.500	0.500	Assumed compensation based on estimated value of claims outstanding.
Other Supervision, Management & Special Services	0.608	0.744	Assumed 5% & 3% now based on 6.7% & 5%
Capital Financing Adj.	(4.865)	(1.155)	Treasury Management and Capital Financing resources reviewed as part of capital programme de prioritisation.
Revised (Surplus) / Gap	(0.000)	(0.000)	

2.2.2 The HRA's balanced position in 2024/25 has been achieved based on a rent increase of 7.7%, and efficiencies identified by Berneslai Homes of £1M. Whilst this increase is significant, given the cost pressures highlighted in paragraph 1.3, a lower increase will require further efficiencies or cuts in service provision over and above those highlighted below.

2.3 Efficiencies / Mitigations

2.3.1 As part of the Council's annual review of the 30-year HRA business plan and to help bridge the funding gap and invest in future new build/acquisitions, 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 (including new build) in the Council's housing stock across the period and beyond.

2.3.2 Berneslai Homes has an ongoing business transformation programme which commenced in 2020, all frontline services have been externally reviewed and a major restructure was undertaken during 2022/23. A total of £1M efficiency savings have already been achieved with reinvestment and reprioritisation to meet additional Regulatory requirements and supporting frontline service delivery. Priorities have included keeping homes safe and warm, supporting tenants and addressing tenants concerns around anti social behaviour. Work has commenced on the priorities for the next 3 years and the efficiency opportunities arising from the modernisation of IT systems. New IT systems for management of rent accounts will

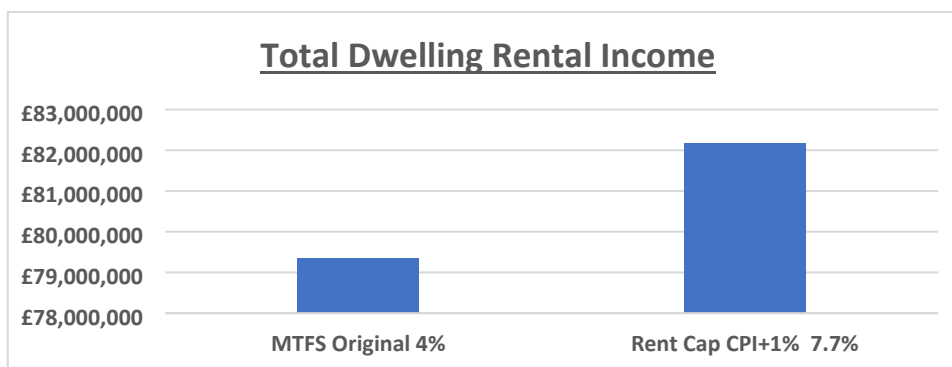
be introduced in 2024/25 increasing rent collection rates and maximising HRA income. The current management fee to Berneslai Homes is supplemented to meet all requirements, by circa £1M from Berneslai Homes reserves and Construction Services surplus.

- 2.3.3 The 2023/24 budget recommendations also noted that Berneslai Homes were committed to generating savings to the HRA of c£2.5M from the introduction of a new IT system for repairs which will allow a scheduling system that will create significant efficiencies in the process. Of this, £1M is expected to be realised in 2024/25 with Berneslai Homes anticipating efficiencies to come from responsive repairs with Repairs First scheduled to go live on 31st January 2024. It is anticipated that there will be an increase of approx. 1 job per operative on responsive repairs per day, increasing productivity and reducing the cost per repair. Further efficiencies will be achieved in 2025/26 once the system is fully embedded increasing productivity.

2.4 Rent and Service Charges

Rental Income

- 2.4.1 The Government's current rent policy is to allow local authorities to raise rents annually by a maximum of CPI + 1% (7.7%), this report proposes an increase of 7.7%. **Recommendation 2 refers.**
- 2.4.2 The existing National Rent Policy of CPI+1% expires at the end of 2024/25. To date the Government has not commenced consultation on whether this policy might continue or be amended. Future years assume rents increase at CPI only. This is generally consistent with practice across the sector.
- 2.4.3 Members should note that for the Council to be able to set a balanced HRA budget for 2024/25 and operationally allow a continuation of the existing level of works in relation to decency and compliance a 7.7% rent increase is required. **(Refer to 1.3)**
- 2.4.4 A rent increase below 7.7% will have a serious impact on the HRA's ability to deliver services at current levels. The annual rent increase is a permanent adjustment to the base budget in perpetuity and can not be recovered in subsequent years. For every 0.5% below the rent the cap £0.400M is taken from the base budget. For example, a rent increase of 7.2% reduces income by £0.400M and at 6.7% by £0.800M. A rent increase of 7.2% would impact the ability to maintain decency, and deal with responsive repairs, and a rent increase of 6.7% would, in addition, begin to impact the ability to meet statutory & regulatory compliance. 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.
- 2.4.5 The graph (**Graph 1**) below shows the impact of raising rents by 4% & 7.7% for 2024/25.

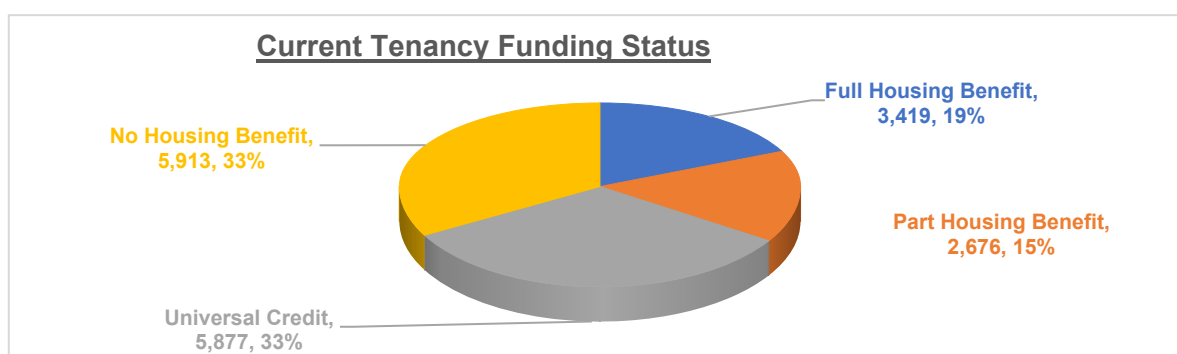


2.4.6 The additional income generated (£2.7M) by a rent increase of 7.7% is significantly contributing to the budget shortfall identified in Table 1 over the original assumed increase of 4%.

2.4.7 From a tenant’s perspective, an increase of 7.7% represents an average increase of £6.47 a week (52 weeks). Per **Table 3** below each 0.5% equates to an average weekly cost to tenants of around 40p.

HRA - Rent Sensitivity - 52 Weeks	2024/25	
	£	Change £
2023/24 Average Weekly Rent	83.94	0.00
Rent Increase @ 5%	88.14	4.20
Rent Increase @ 6%	88.98	5.04
Rent Increase @ 6.7%	89.57	5.63
Rent Increase @ 7.2%	89.99	6.05
Rent Increase @ 7.7%	90.41	6.47

2.4.9 The pie chart table below highlights how tenants pay their rents. **Graph 2**



2.4.10 The September inflation rate of 6.7% also has a positive impact on benefits, with many benefits increasing by this amount (note - housing costs will be met up to the national rent formula of CPI plus 1% (7.7%)).

2.4.11 It is worth noting that whilst the current cost-of-living crisis and other pressures including a rent increase of 7.7% will impact tenants, additional support is available who are directly affected (financial, practical, and mental health / wellbeing). This includes but is not limited to:

- Pension benefits linked to the “triple lock” increasing up to 8.5%;
- DWP Cost of Living Payments;
- Winter Fuel Payments;

- Housing Benefit and Universal Credit – meets full rent increase cost;
- Other benefits - Sept CPI rate 6.7% increase.
- More Money In Your Pocket
- Tenant first service.

Non-Dwelling Rents, Service Charges and Heating Charges

2.4.12 The Council is also proposing to increase non dwelling rents [garages etc.], service charges and the district heating kWh that are charged to tenants in line with the proposed rent increase 7.7% for the 2024/25 year. **Recommendation 2 refers.**

2.4.13 The Council commissioned an independent review of Service Charges and the District Heating scheme that has highlighted a significant under recovery of the costs incurred by the HRA. Council officers and Berneslai Homes will conduct a deep dive review to move towards 100% cost recovery where appropriate and ensure charges are fair and transparent. This has been exacerbated in recent times by the exponential increase in energy bills for tenants of both private and social housing, increases that have not been fully reflected within the District Heating scheme at this time. This will be carried out in the new financial year in time for deliberation as part of 2025/26 budget proposals. The Council are committed to introduce a revised service charges policy for implementation in 2025/26 following the deep dive with Berneslai Homes and considering all recommendations in the independent report.

2.5 HRA Revenue Budget & Prudential Indicators

2.5.1 The proposed revenue budget is set out below (Table 4):

	2023/24 Approved £M	2024/25 Draft For Approval £M	2025/26 Draft £M	2026/27 Draft £M
<u>INCOME</u>				
Dwellings Rent	(76.970)	(82.171)	(84.053)	(85.102)
Non-Dwellings Rents	(0.396)	(0.423)	(0.444)	(0.453)
Heating Charges	(0.375)	(0.400)	(0.420)	(0.428)
Other Charges for Services and Facilities	(0.465)	(0.496)	(0.521)	(0.531)
Contributions Towards Expenditure	(0.849)	(0.873)	(0.509)	(0.518)
	(79.055)	(84.363)	(85.947)	(87.032)
<u>EXPENDITURE</u>				
Repairs and Maintenance (Including Fees)	23.668	29.266	25.349	25.682
Berneslai Homes' Management Fee	15.453	16.674	17.507	17.858
Other Supervision, Management & Services	5.547	7.071	7.380	7.510
Rents, Rates, Taxes and Other Charges	0.291	0.310	0.326	0.332
Provision for Doubtful Debts	2.191	0.579	0.444	0.391
	47.150	53.900	51.006	51.773
Net Cost of Services	(31.905)	(30.463)	(34.941)	(35.259)
Capital Financing	31.905	30.463	34.941	35.476

	2023/24 Approved £M	2024/25 Draft For Approval £M	2025/26 Draft £M	2026/27 Draft £M
Base Budget	0.000	0.000	0.000	0.217

Revenue Budget Expenditure Detail; Berneslai Homes HRA Management Fee

- 2.5.2 The proposed Berneslai Homes Management Fee in respect of the HRA is estimated at £16.674M for 2024/25 and indicatively £17.507M in 2025/26. The key movements in the management fee consist of inflation at CPI of £1.047M, a £0.250M investment in a new Damp & Mould Team and a £0.076M reduction in pension charges incurred within the company. **Recommendation 3 refers.**
- 2.5.3 In addition, Berneslai Homes also charge the Council's General Fund for the management of the Gypsy & Traveller sites in the Borough, which totals a proposed £0.069M for 2024/25. **Recommendation 3 refers.**
- 2.5.4 Therefore, the proposed Berneslai Homes Management Fee to the Council in totality for 2024/25 totals £16.743M.

Other Supervision, Management & Special Services

- 2.5.5 The HRA is charged for its share of General Fund services that it consumes in providing services to tenants. This has increased by £0.683M due to the annual review of, the charging mechanism and inflationary assumptions for pay awards.
- 2.5.6 This area of the budget has also increased by a further £0.840M and includes provision for the anticipated increases in the HRA's liability to pay Tenant Compensation payments as result of Disrepair Claims to the value of £0.500M. Housing Ombudsman & Regulator of Social Housing fees are also expected to rise by £0.140M with the remaining £0.200M as result of a budget realignment review.

Repairs & Maintenance

- 2.5.7 Berneslai Homes have reviewed the revenue repair budgets due to high demand manifesting itself via the responsive work categories. As a result, the capital investment programme has been reduced by £4.9M and is proposed to be invested into revenue repairs, per the **table 5** below.

Revenue R&M - Priorities	2023/24	2024/25
	£'M	£'M
Responsive repairs	£11.071	£11.632
Voids	£2.035	£2.328
Planned Repairs	£3.332	£7.940
Decoration - Painting	£0.900	£Nil
Compliance	£4.760	£5.053
Commercial Services	£0.807	£0.930
Contingency	£0.352	£0.593
Revenue Investment	£Nil	£0.350
Professional Fees	£0.411	£0.440

Revenue Repairs & Maintenance	£23.668	£28.916
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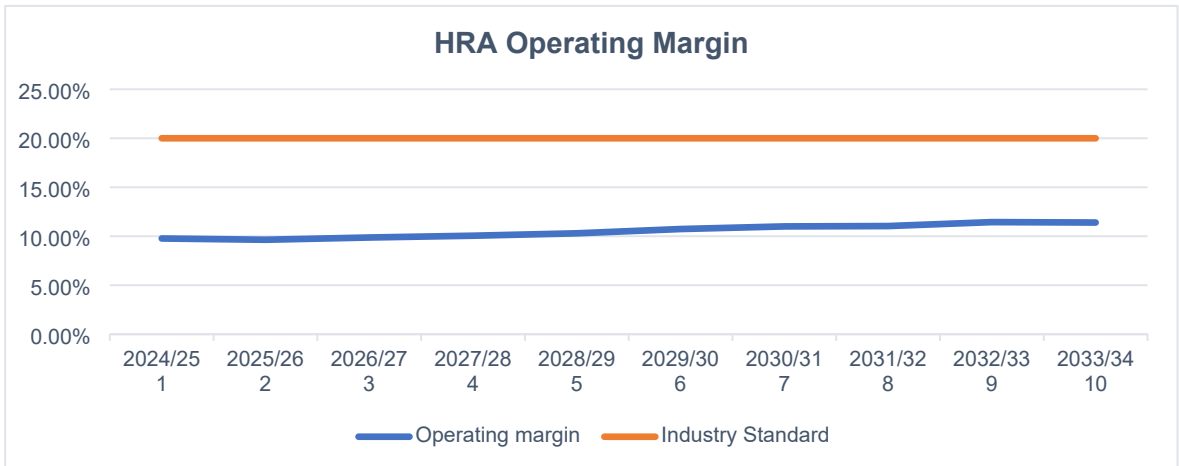
- 2.5.8 The Council has worked closely with Berneslai Homes to understand the detailed rationale for prioritisation during 2024/25 and the in-year and longer-term implications of the proposed budgets across revenue and capital.
- 2.5.9 Several disinvestments will be required to ensure that a programme of allocated works (from 2023/24) can be completed during 2024/25. This includes but is not limited to a reduction in, the Barnsley Homes Standard programme.
- 2.5.10 During 2024/25, the decency programme will focus on maintaining 100% decency but targeting those areas requiring immediate decency works (e.g., any components failing by the end of the calendar year 2025) rather than delivering a wider whole house programme. There will be a focus on completing elemental decency works around kitchens, bathrooms, and roofs, with a smaller number of properties (200) continuing to receive the whole-house approach (including fabric first retrofit). This approach ensures that the Council remains compliant in maintaining 100% decency across all stock, whilst releasing budget to complete outstanding allocated works on a prioritised basis during 2024/25 and utilising the 100% stock condition data. A revised approach to investment will be developed jointly with Berneslai Homes.
- 2.5.11 As referenced, the budget proposal is to reduce the BHS and other smaller programmes by £4.9M for one-year ONLY to enable the completion of allocated works. It is envisaged that these budgets will reset from 2025 onwards.
Recommendation 6 refers.
- 2.5.12 The council will conduct an independent review into the current repairs contract arrangement (PRIP) over the coming year, the results of which will be included in future business plans.

Capital Financing

- 2.5.13 The costs contained with the Capital Financing charge to revenue reflects the following elements:
- Debt management expenses which are a contribution towards the overall Council cost of managing the debt portfolio;
 - Interest payable on existing debt and debt premia on debt repaid early;
 - Depreciation both on dwellings and other properties. Unlike the general fund these costs are charged direct to the HRA but can be used in effect, to finance capital expenditure (Major Repairs Allowance or “MRA”); and
 - Repayment of debt which, consistent with prior years and the General Fund, is repaid when it falls due with replacement borrowing only undertaken when there is a need to finance capital expenditure. This has the benefit of saving interest in the short term;

Prudential Indicators

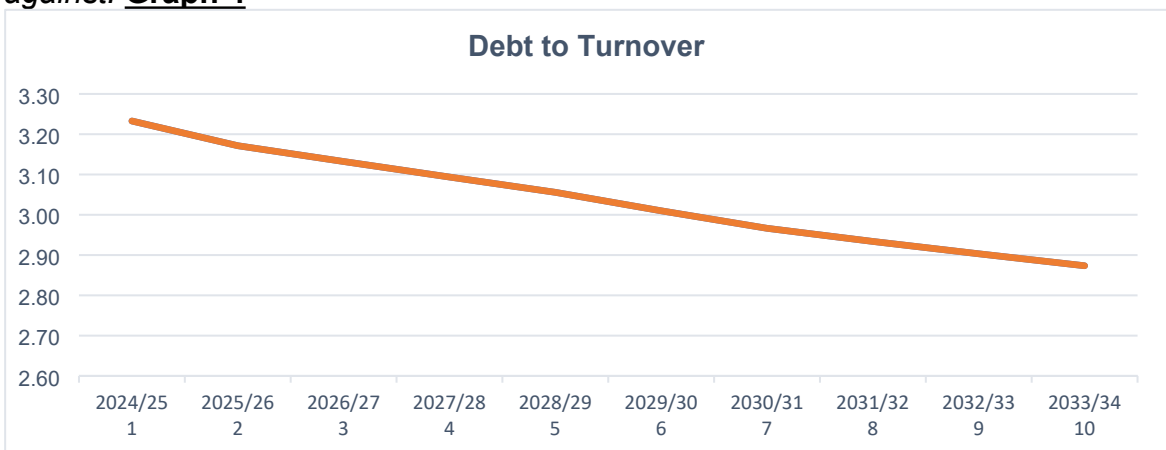
- 2.5.14 The following graphs show the HRA’s operating margin, net interest cover ratio, debt to turnover and debt per property over the next 10 years.



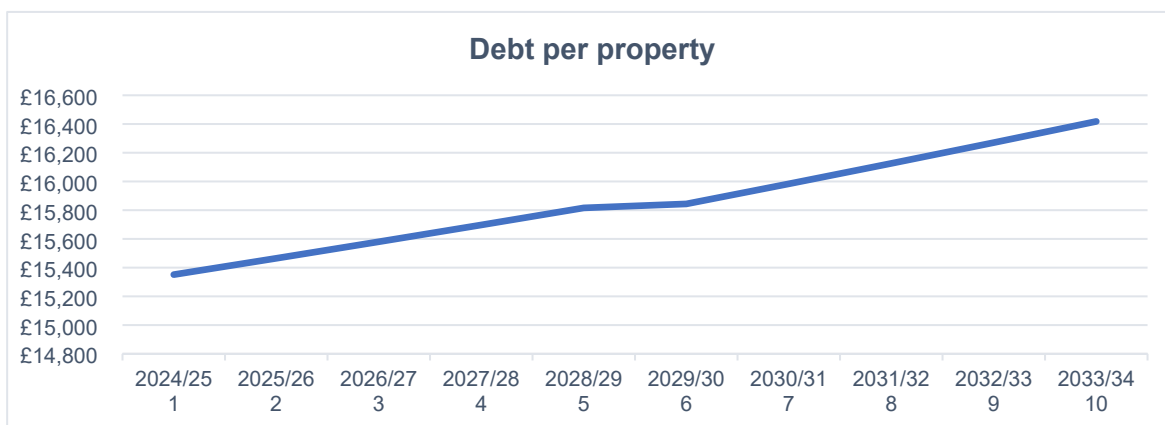
*This indicator measures the operating surpluses to turnover. This excludes capital financing charges but includes depreciation and contributions to the Major Repairs Reserve. It is a measure traditionally used in the housing association sector and there are thus robust benchmarks to measure ourselves against. **Graph 3***



*This indicator measures the interest cost relative to operating surpluses before capital financing charges. It is a measure traditionally used in the housing association sector and there are thus robust benchmarks to measure ourselves against. **Graph 4***



*This indicator measures the overall level of debt compared to total turnover. **Graph 5***



*This indicator measures the average level of debt per property. There are limited external benchmarks to compare this with and the ones that there tend to show marked geographical differences. **Graph 6***

2.6 Capital Programme

2024 - 29 Council Housing Investment Programme

2.6.1 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

2.6.2 The Council's Core 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. 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 with the associated resources set aside totalling £17.939M. **Recommendation 4 refers.**

2.6.3 An indicative EPC C investment programme is identified to the value of £21.552M. Berneslai Homes are conducting pilot schemes with a view to developing further programmes in conjunction with the existing BHS Decency programme. This results in a continued commitment towards EPC C. See Appendix 1.

Housing Growth – New Build & Acquisition Programme

2.6.4 A fundamental review of the HRA resources has been undertaken by the Council's S151 Officer which has resulted in funding being allocated to finance a c200

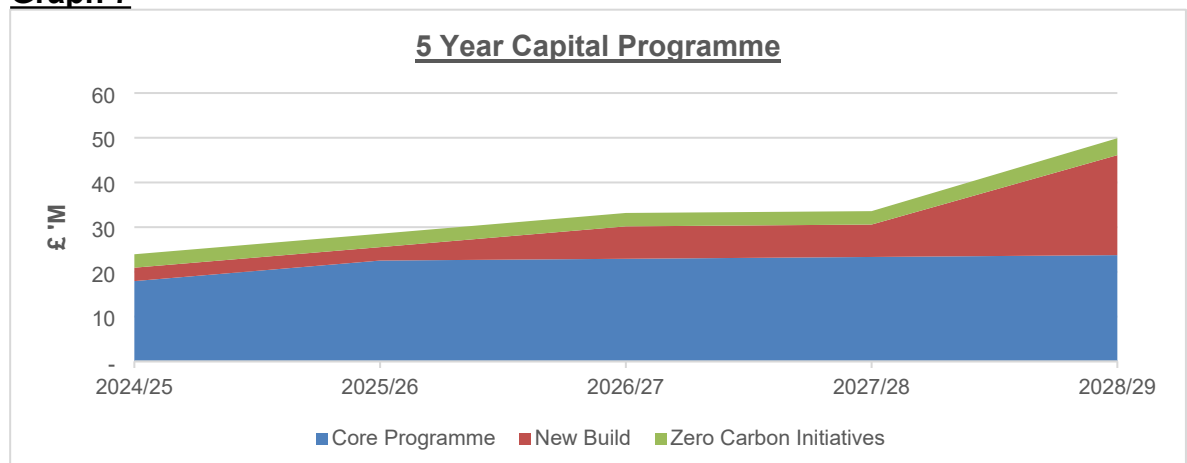
property New Build & Acquisition programme.

- 2.6.5 The funding available for the new build programme includes time restricted RTB receipts which require 60% match funding from the HRA. Over a 5-year period £17M are to be utilised or repaid to government. The programme is therefore funded £17M RTB Receipts and £26M HRA match funding.
- 2.6.6 The funding has been resourced by reallocating £14M previously earmarked to fund the EPC C programme and a further £12M from the Major Repairs Reserve.
- 2.6.7 The New Build and Acquisitions programme is planned to be delivered over a 5-year period and expects to deliver up to c200 new homes for the HRA. The total level of resources therefore identified for investment purposes, totals **£42.861M** and is detailed within **Appendix 1. Recommendation 5 refers.**

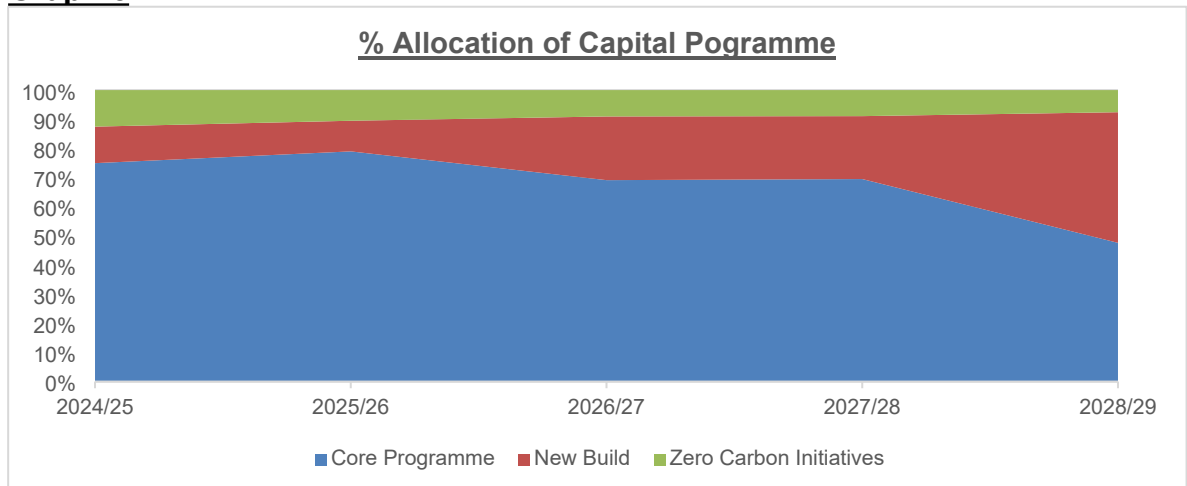
Summary

- 2.6.8 **Appendix 1** summarises the total 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 2** shows the specific schemes included relating to housing growth / added value investments – totalling £60.8M.
- 2.6.9 The two graphs below show the type of investments planned in terms of value but also in terms of % proportion against existing stock and developing new stock, over a 5 year period.

Graph 7



Graph 8

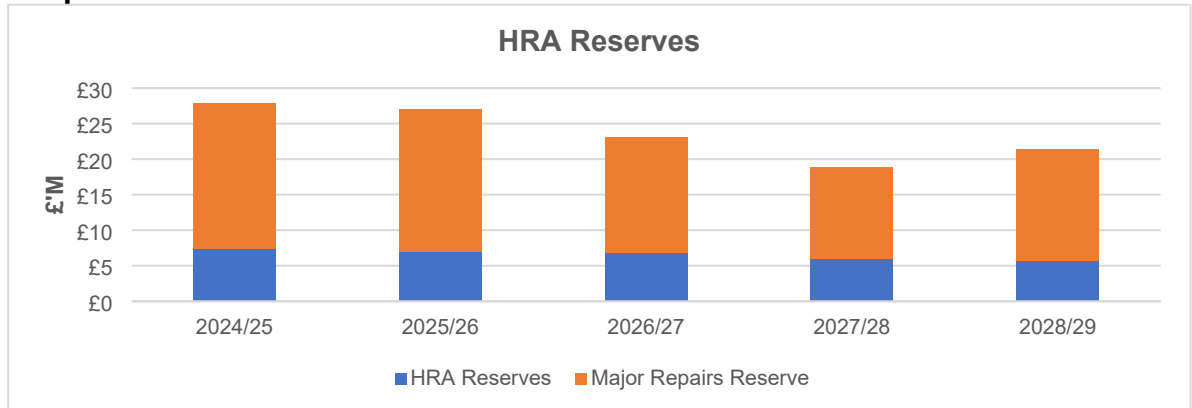


2.7 Reserves

The HRA Reserves Strategy

- 2.7.1 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.
- 2.7.2 The HRA has accumulated reserves totalling £25.133M as at the end of the 2022/23 financial year. Of this amount £15.983M is earmarked to fund Housing Growth needs and £2.150M has been reallocated to part fund the proposed Housing New Build programme. **Appendix 1.**
- 2.7.3 The remaining balance of £7.000M has been set aside by the Director of Finance (Section 151 Officer) as the HRA's minimum working balance.
- 2.7.4 The planned capital investment programme for 2024 – 2029 requires a contribution from the HRA of £156.376m as identified in **Appendix 1.**
- 2.7.5 The reserves detailed in the table 4 below are held for the following primary reasons:
- Housing is a long-term business, and it is prudent to look at the resources over the longer term to cover against the inherent risks in the business such as non-collection of rent and a sudden and increased need to spend (responding to Grenfell being a case in point);
 - To fund the future need to spend – in effect to ensure that we can continue to maintain and repair our properties over the coming years, especially needed given the cyclical nature of the spend.

Graph 9: HRA Reserves:



3. IMPLICATIONS OF THE DECISION

Financial Implications -

- 3.1 Consultations have taken place with representatives of the Director of Finance (S151 Officer).
- 3.2 The proposed budget is based on a rent increase of 7.7% for 2024/25 and an indicative 3% in 25/26. This means that the Council can continue to provide decency, adhere to regulatory requirements, and invest in a Council Housing New Build programme.
- 3.3 The total estimated cost of the core capital programme (including 2022/23) is £135.7M and is affordable over this period.
- 3.4 In addition, there are proposals contained within the report totalling £42.8M for the New Build and Acquisitions programme to be delivered over a 5-year period. The total estimated cost of the current Housing Growth Investment programme, including the £42.8M, totals £81.4M, which is to be funded by specific resources currently held within the HRA.
- 3.5 The Local Government and Housing Act 1989 requires the Council to maintain a Housing Revenue Account in accordance with proper practices. The Council must approve a budget for the HRA that does not go into deficit. There is, therefore, no legal option to not set a budget. The HRA budget must be set during the months of January or February.
- 3.6 Notice of changes to rent must be given to tenants giving at least 28 days' notice of the changes coming into force which means that the notice must be in their physical possession no later than 4th March 2024.
- 3.7 These budget proposals ensure that services to tenants and capital investment to improve housing stock and increasing the number of properties can be delivered and this report enables the Council to fulfil those statutory obligations.
- 3.8 **Risks** – key risks to the financial viability of the Social Housing Model in Barnsley are described at 1.3 of this report. The HRA is heavily reliant on Berneslai Homes managing the Responsive Repairs & Capital Replacement Programmes in line with the resources allocated in this report.

3.9 **Legal** - Whilst the Council has a services agreement with Berneslai Homes, for the management and maintenance of stock, the entity is wholly owned by the council, and accountability as the owner of the stock (and ultimate landlord to our tenants) and as Principal Accountable Person under the Building Safety Act 2022 responsibility sits with the Council. Failure to meet regulatory requirements under the regulator’s Consumer and Rent Standards or relating to building and fire safety within our stock could result in legal action/prosecutions taken against the Council.

3.10 **Equality** - A full EIA will be completed following the finalisation of the Budget and Berneslai Homes Strategic Plan and Business Action Plan 2024/25; ensuring that actions and activities align with the BH Equality, Diversity and Inclusion strategy and Customer Involvement Agreement within the Strategic Plan. Investment in stock as noted within the report, will support the provision of additional homes that meet the needs of older people, people with disabilities, larger families, single people, and couples. The Council and Berneslai Homes will continue to engage with our tenants and communities to make sure that our homes continue to address need.

3.11 **Sustainability**



Zero carbon is one of the objectives of the Berneslai Homes Strategic Plan and includes the actions that Berneslai Homes will take to assist in achieving the zero carbon targets as a company in line with their Sustainability Strategy. The management and maintenance of the Council’s 18,000 stock will need significant focus, investment, and strategic asset management if it is to increase the energy efficiency of homes to an average of SAP rating C or above by 2030. A key focus for 2024/25 is to ensure that Berneslai Homes use the robust data collected via the 100% stock condition survey to inform a full retrofit plan (which embeds retrofit works into existing programmes, where possible) and ensures that the Council and Berneslai Homes are best placed to access funding to opportunities for insulation and renewable technologies to support the HRA.

The Sustainability Wheel shows a strong positive impact on homes, communities and creating quality neighbourhoods in line with B2030 and thus scores green on all areas. The Sustainability Wheel shows a positive impact from the development/retrofit of quality of housing, energy use, renewable energy production and reduction of fuel poverty. These can be linked to the investment in existing stock as highlighted within the HRA budget proposals. Retrofit installation and building new homes does increase construction waste and pollution in the short-term; however, these should be offset by the reduction in the use of energy once completed and the reduction in emissions via renewable energy sources.

Working with tenants to encourage recycling and to look after greenspaces should

both reduce waste and improve biodiversity; particularly if our estate green spaces are used to promote opportunities for rewilding, the development of tiny forests and district eating schemes. There are also opportunities to make better use of estate car parks and garage sites to provide EV infrastructure and charging points.

Finally, social housing providers have a real opportunity to develop retrofit programmes at significant scale to encourage local supply chains and training and development opportunities for green industry.

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

3.13 **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 Director of Finance (S151 Officer) and the Executive Director – Growth & Sustainability.

4.2 Consultations have and will continue to take place with Berneslai Homes Management team.

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 enables the Council to fulfil HRA Budgetary statutory obligations for 2024/25 financial year.

7. GLOSSARY

N/A

8. LIST OF APPENDICES

Appendix 1 – Council Housing Investment Programme

Appendix 2 – Housing Growth / Added Value Capital Programme

9. BACKGROUND PAPERS

N/A

10. REPORT SIGN OFF

Financial consultation & sign off	Ashley Gray – Strategic Finance Business Partner – Growth & Sustainability – 14/11/2023 Financial Implications contained within and throughout the report.
Legal consultation & sign off	Sukdave Ghuman – Service Director Law and Governance Services 15/11/2023

Report Author: Neil Copley
Post: Director of Finance (S151 Officer)
Date: 15/11/2023

Appendix 1 - Council Housing Investment Programme 2024 - 2029

	2023/24 £M	Existing 2024/25 £M	For Approval 2024/25 £M	Indicative 2025/26 £M	For Approval 2025/26 £M	Indicative 2026/27 £M	For Approval 2026/27 £M	Indicative 2027/28 £M	Indicative 2028/29 £M	TOTAL (inc. 2022/23) £M	
Expenditure:											
Core Programme:											
1	Barnsley Homes Standard / Component Replacements	19.323	-	8.636	-	16.396	-	16.684	16.978	17.276	95.293
2	Heating Works	0.330	-	0.925	-	0.962	-	0.981	1.000	1.020	5.218
3	Major Adaptations	3.089	-	3.397	-	2.471	-	2.520	2.571	2.622	16.670
4	Structural Extensive / Voids	1.852	-	4.416	-	2.075	-	2.116	2.158	2.202	14.819
5	Other	0.629	-	0.565	-	0.629	-	0.629	0.629	0.629	3.710
		25.223	-	17.939	-	22.533	-	22.930	23.336	23.749	135.710
Housing Added Value Priorities:											
6	New Build	7.763	-	3.000	-	3.000	-	7.250	7.250	22.361	50.624
7	Acquisitions / Conversions	0.726	-	-	-	-	-	-	-	-	0.726
8	Regulatory / Compliance	5.977	0.704	-	-	-	-	-	-	-	6.681
9	Zero Carbon Initiatives	4.866	0.900	3.000	-	3.000	-	3.000	3.000	3.786	21.552
10	Other Housing Growth	1.914	-	-	-	-	-	-	-	-	1.914
		21.246	1.604	6.000	-	6.000	-	10.250	10.250	26.147	81.497
11	Total Expenditure	46.469	1.604	23.939	-	28.533	-	33.180	33.586	49.896	217.207
Resources:											
12	Major Repairs Reserve	(27.734)	(1.048)	(16.693)	-	(26.982)	-	(30.280)	(29.889)	(23.749)	(156.376)
13	Capital Receipts	(1.073)	-	-	-	-	-	-	-	-	(1.073)
14	1-4-1 Capital Receipts	(1.765)	-	(1.200)	-	(1.200)	-	(2.900)	(2.900)	(8.944)	(18.909)
15	HRA Reserve – Housing Growth	(11.181)	(0.556)	(4.246)	-	-	-	-	-	-	(15.982)

16	Borrowing	-	-	-	-	-	-	(0.797)	(17.203)	(18.000)
17	Grants & Contributions	(3.951)	-	-	-	-	-	-	-	(3.951)
18	Capital Reserve	-	-	(1.800)	-	(0.351)	-	-	-	(2.151)
19	RCCO	(0.765)	-	-	-	-	-	-	-	(0.765)
20	Total Resources	(46.469)	(1.604)	(23.939)	-	(28.533)	-	(33.180)	(33.586)	(49.896)
CORE PROGRAMME FOR APPROVAL			17.939	As per Recommendation 7						
ADDED VALUE PROGRAMME FOR APPROVAL			42.861	As per Recommendation 8						
TOTAL PROGRAMME FOR APPROVAL			60.800							

APPENDIX 2 - Housing Growth Capital Programme	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
<u>New Build & Acquisition</u>	£M	£M	£M	£M	£M	£M	£M
Billingley View	0.462	-	-	-	-	0.462	0.462
St Michael's Avenue	2.341	-	-	-	-	2.341	2.341
Goldthorpe Market Phase 1	1.960	-	-	-	-	1.960	1.960
Goldthorpe pre-1919 Housing Strategy	3.000	-	-	-	-	3.000	3.000
Empty Homes - Acquisitions	0.726	-	-	-	-	0.726	0.726
2024 - 2029 Acquisition Programme	-	3.000	3.000	3.000	3.000	3.000	15.000
2024 - 2029 New Build Programme	-	-	-	4.250	4.250	27.861	27.861
	8.489	3.000	3.000	7.250	7.250	22.361	51.350
<u>Regulatory / Compliance</u>							
Sprinkler Installation Scheme	0.905	-	-	-	-	-	0.905
Fire Safety Budget - High Rise in Scope Buildings	1.345	-	-	-	-	-	1.345
Spandrel Panels	0.522	-	-	-	-	-	0.522
Asbestos Removal Aldham House & Royston	0.194	-	-	-	-	-	0.194
Princess Street - Floor Replacement	1.055	0.454	-	-	-	-	1.509
Water Ingress 3 X High Rise	1.081	0.250	-	-	-	-	1.331
LAHF	0.875	-	-	-	-	-	0.875
	5.977	0.704	-	-	-	-	6.681
<u>Zero Carbon Initiatives</u>							
Installation of Solar PV	1.000	-	-	-	-	-	1.000
Social Housing Decarbonisation Phase 1	2.467	-	-	-	-	-	2.467
Social Housing Decarbonisation Phase 2	0.899	0.899	-	-	-	-	1.798
EPC C – Pilot & Future Programme Investment	0.500	3.000	3.000	3.000	3.000	3.786	16.286
	4.866	3.899	3.000	3.000	3.000	3.786	21.551
<u>Other Housing Growth</u>							
Environmental Improvements	0.500	-	-	-	-	-	0.500
Customer Services IT System	0.549	-	-	-	-	-	0.549
Lang Avenue Flooding Resilience Works	0.365	-	-	-	-	-	0.365
Non-Traditional Archetype Fire Works	0.500	-	-	-	-	-	0.500
Capital Contingency	-	-	-	-	-	-	-
	1.914	-	-	-	-	-	1.914
TOTAL - PER APPENDIX 2	21.246	7.603	6.000	10.250	10.250	26.147	81.496
New Build and Acquisition	42.861						

