

BARNESLEY METROPOLITAN BOROUGH COUNCIL

This matter is a Key Decision within the Council's definition and has been included in the relevant Forward Plan.

JOINT REPORT OF THE
EXECUTIVE DIRECTOR PLACE &
EXECUTIVE DIRECTOR CORE

HOUSING REVENUE ACCOUNT – DRAFT 2020/21 BUDGET & INVESTMENT PROPOSALS 2020-24

1) Purpose

- 1.1 This report summarises the proposed HRA Medium Term Financial Strategy, the revised HRA Reserves Strategy, the 2020/21 HRA draft budget and the 2020/21 through 2024/25 Housing Capital Investment Programme.

2) Recommendations

- 2.1 It is recommended that Cabinet:

- (i) note the HRA Medium Term Financial Strategy (MTFS) as set out in Section 3;
- (ii) approve the proposed variations to the existing Housing Growth Investment schemes, as outlined in paragraph 3.8 and Table 2;
- (iii) approve the Housing Revenue Account Draft Budget for 2020/21, as outlined in Section 6, including the proposed revenue investments and savings, as outlined in Section 5, with any final amendments / additions being delegated to the Cabinet Spokesperson for Place and the Executive Director for Place in consultation with the Cabinet Spokesman for Core Services and the Service Director - Finance (S151);
- (iv) approve a rent increase in line with the Government's rent policy;
- (v) note that there is no proposed change to non-dwelling rents, service charges and heating charges for 2020/21;
- (vi) approve the 2020/21 Berneslai Homes Management Fee at paragraph 6.7, with any final amendments / additions delegated to the Cabinet Spokesperson for Place and the Service Director, Regeneration & Culture in consultation with the Cabinet Spokesman for Core Services and the Service Director - Finance (S151);
- (vii) approve the 2020/21 Berneslai Homes Management Fee for Gypsy & Traveller Sites, charged to the Authority's General Fund, detailed at paragraph 6.8;
- (viii) approve in principle, the proposed emerging capital priority schemes as detailed in Section 7, subject to individual reports, as appropriate, in line with the Council's governance arrangements;
- (ix) approve the Council Housing Capital Investment programme for 2020/21 and that the indicative programme for 2021/22 through 2024-25, outlined in Section 8 be noted;
- (x) approve that the Council will set aside resources for both remedial works at the 26 properties affected by the floods in November 2019 and to undertake a further wider flood risk assessment of all of Council dwellings in the borough (paragraph 7.2 refers).

3) **Medium Term Financial Strategy & HRA Reserves Strategy**

Medium Term Financial Strategy (MTFS)

- 3.1 On 9th January 2019, the Council set a balanced HRA budget for 2019/20 and considered a medium term position that included a framework for delivering a balanced budget in 2020/21. Table 1 explains the current MTFS position and explains the key change in assumptions from the January 2019 position.

TABLE 1: HRA MTFS Position 2020-22

MTFS	2020/21 £M	2021/22 £M	Comments
Initial (Surplus) / Gap as at Jan 19	(0.094)	(0.379)	
Rental Income	(0.320)	(0.339)	More stock retained than anticipated / combined with higher than anticipated average rents
Contribution to Capital	(0.138)	(0.250)	Change in approach to financing capital programme
BH Management Fee	(0.019)	(0.019)	Proposed Management Fee increase less than the assumed 2% increase
Other Costs	0.018	0.020	Additional costs in relation to holding higher than anticipated stock (management, repairs etc.)
Revised (Surplus) / Gap as at Jan 2020	(0.553)	(0.967)	
Efficiency / Savings Proposals			
Utilities	(0.034)	(0.034)	Reduction in utilities as part of BH Management Fee
Legal Fees	(0.016)	(0.016)	Reduction in legal fees as part of BH Management Fee
Pension Deficit	(0.199)	(0.199)	Reduction in pension deficit contributions
Revised (Surplus) / Gap as at Jan 2020 Post	(0.802)	(1.216)	

- 3.2 The improved 2020/21 HRA position is largely due to the Council holding more stock than anticipated due to fewer right to buy sales during 2018/19, coupled with the higher than projected average rent.
- 3.3 In respect of saving proposals / efficiencies, whilst the HRA MTFS is currently showing a relatively healthy position, service efficiencies are still sought to redistribute resources to priority areas where necessary.
- 3.4 The S151 Officer's advice is to consider investment proposals not exceeding £1M p.a. over the period 2020/21 through 2021/22. This is subject to an ongoing review pending conclusion of the PRIP re-procurement exercise and other key assumptions.

The HRA Reserves Strategy

- 3.5 The HRA has accumulated reserves totalling £37.1M as at the end of the 2018/19 financial year, as reported in the Housing Revenue Account Final Accounts Report (Cab.24.6.2019/10 refers). 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 (Table 2 refers).
- 3.6 Berneslai Homes Ltd also has accumulated surpluses to 31st March 2019. During 2018/19, after setting aside a Minimum Working balance and other reserves, an amount totalling £8.9M was

released for use on Council and Berneslai Homes priorities. Since that time, £0.5M has been incurred on those priorities, leaving £8.4M remaining.

- 3.7 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 unrestricted S106 funds of £3.3M specifically for housing purposes.
- 3.8 In addition, a review has been undertaken on the current suite of approved investment schemes with a number of variations proposed. These are included in Table 2. Further details are available upon request. **Recommendation ii)** also refers.
- 3.9 Table 2 shows the currently available reserves, the amounts committed against those reserves in terms of approved schemes and the subsequent remaining resources for consideration.

TABLE 2: HRA Reserves Position

	Reprioritised Reserves As at 1 st April 2019	Current Commitments	Proposed Variations	Commitments Including Proposed Variations	Remaining for Consideration
	£M	£M	£M	£M	£M
Resources Position:					
<u>Earmarked For:</u>					
Capital Programme Reserve	3.6	3.6	-	3.6	-
Housing Growth Reserve	21.9	16.8	(3.7)	13.1	8.8
Welfare Reform Reserve	3.0	3.0	-	3.0	-
New Build Bungalows Reserve	1.4	1.4	-	1.4	-
Budget Development Reserve	1.0	1.0	-	1.0	-
Minimum Working Balance	5.2	5.2	-	5.2	-
Review of 30 Year Capital Plan	1.0	1.0	-	1.0	-
Housing Reserves	37.1	32.0	(3.7)	28.3	8.8
Berneslai Homes Reserves	8.4	5.5	1.9	7.4	1.0
S106 Contributions	3.3	-	-	-	3.3
Total	48.8	37.5	(1.8)	35.7	13.1

4) **Housing Strategy & Approach**

- 4.1 The Council's strategic approach for investment in its housing services, for both revenue and capital investment mirrors the approach for general fund services, as agreed in the approved Capital Investment Strategy. Available resources are identified over the medium term with housing priority proposals being submitted for consideration. This allows a more effective, robust and consistent planning process together with maintaining a flexible approach in respect of addressing emerging issues.
- 4.2 A business planning workshop was held in August 2019 between the Council and Berneslai Homes with the aim of identifying key priorities and the overall strategic direction of the HRA, moving forwards. Further discussions have since taken place with Berneslai Homes with additional priorities linked to service transformation being identified by the new CEO. These priorities have been considered within the overall financial context of the HRA and are incorporated within this report.

- 4.3 Strategic investment priorities were agreed which focussed on ensuring Regulatory Compliance alongside wider priorities such as homelessness / inclusive growth, zero carbon and housing growth, which can be found in sections 5 and 7 respectively.
- 4.4 The strategy and approach for defining longer term priorities will now be considered collaboratively as part of the Council's emerging 2030 Place Based Plan including subsequent updates to both the Council's and Berneslai Homes' corporate plans.

5) **Revenue Investment Proposals**

- 5.1 In line with the strategy outlined in Section 4, and within the financial context explained in Section 3, a number of revenue investment proposals have been identified by both Berneslai Homes and Council services for consideration.
- 5.2 These proposals have been assessed in line with the agreed process (per Section 4) ensuring that resources are aligned to the Council's housing priorities. The investments prioritised for consideration are summarised in Table 3. Further information is available on request. **Recommendation iii) refers.**

TABLE 3: HRA Revenue Investment Priorities 2020-22

Permanent Revenue Investment Proposals	2020/21 £M	2021/22 £M	Investment Theme
Revised (Surplus) / Gap	(0.802)	(1.216)	
HRA 3 - Customer Services IT Investment – Transformation of Customer Services	0.100	0.100	Service Transformation
HRA 5 - Electrical Compliance Officer	0.042	0.042	Regulatory Compliance
HRA 7 - Regulatory Compliance - Inspection of Flat Doors to Communal Areas – Post Grenfell	0.074	0.074	Regulatory Compliance
HRA 19 – Building Safety Officer – Post Grenfell	0.055	0.055	Regulatory Compliance
HRA 4 - Environmental Improvements - Apprenticeship Scheme Helping People into Work	0.040	0.080	Homelessness / Inclusive Growth
HRA 16 - 16-17 Year Old Supported Housing for Complex Needs	TBD	TBD	Homelessness / Inclusive Growth
HRA 17 - Community Development & Project Management Support for Stronger Communities	0.165	0.165	Community Development / Inclusive Growth
HRA 18 - Crisis and Temporary Accommodation Service - 20 HRA Properties to Support Homelessness	0.150	0.150	Homelessness
HRA 6 - Occupational Therapy Contribution - Increased Therapy Assessments	0.019	0.019	Independent Living
HRA 8 - Increased Programmed Replacement budget	0.146	0.146	Capital Funding - BHS
HRA 15 - Empty Homes Officer (30% Contribution) - Community Interventions	0.011	0.011	Housing Growth
Sub Total – Investments	0.802	0.842	
Revised (Surplus) / Gap	-	(0.374)	

6) **Housing Revenue Account Proposed Budget**

- 6.1 Table 4 shows the proposed revenue budget for 2020/21 and indicatively for 2021/22, on the basis that the proposed revenue savings are implemented and that the revenue investments are approved. Paragraphs 6.2 – 6.10 provide further explanation of the key components of the budget, particularly where approval is required. **Recommendation iii) refers.**

TABLE 4 - HRA Proposed Revenue Budget 2020-22

	2020/21 Draft £M	2021/22 Draft £M	Paragraph
<u>INCOME</u>			
Dwellings Rent	(69.754)	(71.314)	6.2 – 6.4
Non Dwellings Rents	(0.361)	(0.368)	6.5
Heating Charges	(0.525)	(0.535)	
Other Charges for Services and Facilities	(0.465)	(0.474)	
Contributions Towards Expenditure	(1.057)	(1.057)	
	(72.162)	(73.748)	
<u>EXPENDITURE</u>			
Repairs and Maintenance (Including Fees)	19.171	19.410	
Berneslai Homes' Management Fee	12.162	12.586	6.6 – 6.8
Other Supervision, Management & Special Services	5.962	5.917	6.9 – 6.10
Rents, Rates, Taxes and Other Charges	0.254	0.263	
Provision for Doubtful Debts	2.093	2.139	
Depreciation of Fixed Assets	12.383	12.383	
Debt Management Costs	0.098	0.100	
	52.123	52.798	
Net Cost of Services	(20.039)	(20.950)	
Interest Payable and Similar Charges	11.256	11.360	
Amortised Premiums and Discounts	-	-	
Investment Income	(0.130)	(0.117)	
Net Operating Expenditure	(8.913)	(9.707)	
<u>Appropriations</u>			
Transfer to/from Major Repairs Reserve	8.767	9.187	
Revenue Contribution to Capital	0.146	0.146	
Base Budget	-	(0.374)	
Use of (-) / Contribution to (+) HRA Reserves	-	0.374	
Surplus (-) /Deficit to be Financed	-	-	

Dwelling Rents

- 6.2 The Government has confirmed that from 2020/21 dwelling rents can be increased in line with CPI inflation (Consumer Price Index), plus 1% for the 5 year period through to 2024/25.
- 6.3 The rate of CPI as at September 2019 was 1.7%. It is proposed that dwelling rents will be increased in 2020/21 by **2.7%** in line with the Government's rent policy and the requirement from April 2020 for local authorities to comply with the Regulator of Social Housing Rent Standard. **Recommendation iv) refers.**
- 6.4 The proposed average rents for the various types of properties, for 2020/21 are shown in Table 5.

TABLE 5: Average Rent by Property Type

Property Type	Number of Bedrooms	Average Rent per Week (Based on 48 Weekly Bills)	
		2019/20 £	2020/21 £
Bedsit	0	58.04	59.61
Flat	0	59.26	60.86
	1	67.47	69.29
	2	75.76	77.81
	3	81.42	83.62
Bungalow	1	68.77	70.63
	2	78.18	80.29
	3	90.35	92.79
	4	119.72	122.95
House	1	71.18	73.10
	2	78.62	80.74
	3	83.89	86.16
	4	91.19	93.65
	5	102.24	105.00
	6	118.24	121.43
Maisonette	3	84.66	86.95
OVERALL AVERAGE WEEKLY RENT		78.25	80.36

Non Dwelling Rents

- 6.5 It is proposed that no changes are applied to the current level of non-dwelling rents, service charges and heating charges respectively for the 2020/21 financial year. The associated costs in providing such services within the HRA have not materially changed since 2019/20 and therefore no changes are proposed as a result. **Recommendation v) refers.**

Berneslai Homes Management Fee

- 6.6 The proposed Berneslai Homes Management Fee is estimated at £12.162M for 2020/21 and indicatively £12.586M in 2021/22 as detailed in Table 6.

TABLE 6: Berneslai Homes Management Fee

	2020/21 £	2021/22 £
BH Management Fee Bfwd	11,716,376	12,162,443
<u>Fixed / Ongoing Costs</u>		
Inflation, Pay Award & Increments	215,640	238,640
	215,640	238,640
<u>Investment & Other Policy Decisions</u>		
HRA 4 - Environmental Improvement Apprenticeship Scheme	90,000	185,000
HRA 5 - Electrical Compliance Officer	42,427	-
HRA 6 - Occupational Therapy Contribution	19,000	-
HRA 7 - Fire Door Inspections	74,000	-
HRA 19 - Building Safety Manager	55,000	-
	280,427	185,000
<u>Savings Proposals</u>		
Utilities	(34,300)	-
Legal Fees	(15,700)	-
	(50,000)	-
Proposed BH Management Fee	12,162,443	12,586,083

- 6.7 On the basis that the proposed investments and efficiencies are approved, the BH management fee has been increased overall by a total of £446,067 from the 2019/20 fee, predominately as a result of the new investments proposed. **Recommendation vi) refers.**
- 6.8 In addition to the management fee above, Berneslai Homes are proposing to charge the Council's General Fund for the management of the Gypsy & Traveller sites in the Borough, totalling £0.064M for 2020/21 (£0.063M in 2019/20). **Recommendation vii) refers.**

Other Supervision, Management & Special Services

- 6.9 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 7 below:

TABLE 7: Other Supervision, Management & Special Services Budget 2020-2022

	2020/21 £	2021/22 £
Other Supervision, Management & Special Services Bfwd	5,179,741	5,961,591
<u>Fixed / Ongoing Costs</u>		
Inflation on General Fund Services	76,092	100,613
	76,092	100,613
<u>Investment & Other Policy Decisions</u>		
<u>Review of Cost Sharing Arrangements – 2019/20 Budget Setting Process</u>		
Community Safety	125,000	-
Homelessness Team	80,000	-
Homelessness Act 2017	124,500	-
	329,500	-
<u>2020/21 Investments</u>		
HRA 3 - Customer Services IT System	100,000	-
HRA 6 - Occupational Therapy Contribution	19,000	-
HRA 15 - Empty Homes Officer	11,412	-
HRA 17 - Community Development & Project Management Support for Stronger Communities Area Teams	164,846	-
HRA 18 - Crisis and Temporary Accommodation Service	150,000	-
	426,258	-
<u>Capitalisation of Staff Costs</u>		
HRA 4 - Environmental Improvement Apprenticeship Scheme *	(50,000)	(145,000)
	(50,000)	(145,000)
Proposed Other Supervision, Management & Special Services	5,961,591	5,917,204

- 6.10 As part of the Housing Review undertaken during 2018/19, the current cost sharing arrangements were revised to ensure a fair and equitable split was maintained between the General Fund and HRA, the full year effect of these are included in the Table 7.

7) Capital Investment Proposals

- 7.1 Capital investment proposals have also been submitted by both Berneslai Homes and Council officers for consideration in line with the agreed process at Section 4. The investments prioritised at this stage are summarised in Table 8, with further information available on request. **Recommendation viii) refers.**

TABLE 8: Capital Investment Priorities 2020 - 2024

Capital Investment Proposals	Investment Theme	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	Total £M
HRA 1 – Disabled Adaptations - Enable people to live independently in their own homes	Independent Living	0.400	0.200	0.200	0.200	1.000
HRA 3 - Customer Services IT Investment – Transformation of Customer Services	Service Transformation	1.000	1.000	-	-	2.000
HRA 4 - Environmental Improvements - Apprenticeship scheme to help people into work	Inclusive Growth	0.050	0.195	0.195	0.195	0.635
HRA 9 - Installation of Solar PV – Reduce Carbon Emissions and reduce Tenant Fuel Poverty – 50 properties p.a.	Zero 2045	0.250	0.250	0.250	0.250	1.000
HRA 10 - Billingley View – Low Carbon New Build Social Housing – 16 Units	Housing Growth / Zero 2045	1.400	0.460	-	-	1.860
HRA 2 - Additional Housing Acquisitions – Replenish RTB stock	Housing Growth	1.000	1.000	1.000	-	3.000
HRA 12 - Sunnybank/Overdale Adapted Bungalows – Meets Demand for New Build Adapted Social Housing – 4 Units	Housing Growth	0.315	0.280	-	-	0.595
HRA 13 - Athersley South, Adapted Bungalow Scheme – 8 Units	Housing Growth	0.500	0.700	-	-	1.200
HRA 14 – Dearne acquisition, demolition and re-development – 4 – 6 Units	Housing Growth	0.280	0.280	-	-	0.560
		5.195	4.365	1.645	0.645	11.850

- 7.2 During November 2019, parts of the Borough, particularly in the Lundwood area, were affected by severe floods, where 26 properties have been significantly damaged. The Council proposes to set aside an amount totalling £0.260M, which equates to £0.010M per property, to allow remedial works to be undertaken during 2019/20. Furthermore, the Council will undertake a wider flood risk assessment of all other Council house properties in the Borough during the coming months. **Recommendation x) refers.**

8) 2020 - 25 Council Housing Investment Programme

- 8.1 In addition to the housing growth schemes outlined in Section 7, the Council also has a Core Investment programme of capital works to maintain the Council's housing stock at the Barnsley Homes Decency Standard. The core programme targets those properties where elements such as kitchens; bathrooms; heating systems; windows and external doors need replacing. Investment in the council housing stock ensures properties remain lettable and the rental income ensures the viability of the HRA.
- 8.2 The Council also plans a series of supplementary investment works to support the Core Investment Programme and relate to 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.
- 8.3 Table 9 summarises the capital investment into the Council's housing stock and shows the funding stream proposed to fund this programme. **Recommendation ix) refers.** Furthermore, Table 10 shows a detailed breakdown of the Housing Growth schemes.

TABLE 9: Council Housing Investment Programme 2020 - 2025

	2019/20 £M	For Approval In Principle 2020/21 £M	Indicative				TOTAL (Inc. 2019/20) £M
			2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	
Core Programme:							
Barnsley Homes Standard (Inc. Replacement Items)	18.618	14.491	14.930	15.384	15.856	16.344	95.623
Heating Works	1.163	1.081	1.081	1.081	1.081	1.081	6.568
Major Adaptations	2.007	2.007	2.007	2.007	2.007	2.007	12.042
Structural Extensive Works	1.685	1.685	1.685	1.685	1.685	1.685	10.110
Other	0.778	0.648	0.515	0.527	0.505	0.501	3.474
	24.251	19.912	20.218	20.684	21.134	21.618	127.817
Housing Growth Investment:							
New Build *	3.883	7.050	5.288	-	-	-	16.221
Acquisitions *	3.307	3.223	1.400	1.000	-	-	8.930
Other Housing Growth *	2.044	2.796	1.791	0.791	0.791	0.146	8.359
	9.234	13.069	8.479	1.791	0.791	0.146	33.510
Total Expenditure	33.485	32.981	28.697	22.475	21.925	21.764	161.327
Resources:							
Major Repairs Reserve	(20.258)	(19.884)	(20.218)	(20.684)	(21.134)	(21.618)	(123.796)
Capital Reserve	(3.569)	(0.016)	-	-	-	-	(3.585)
Capital Receipts	(0.367)	-	-	-	-	-	(0.367)
1-4-1 Capital Receipts	(0.778)	(1.155)	(0.879)	-	-	-	(2.812)
HRA Reserve Funding	(6.350)	(8.323)	(4.187)	(1.645)	(0.645)	-	(21.150)
Other Reserves	(1.059)	-	-	-	-	-	(1.059)
Grants & Contributions	(1.104)	(3.603)	(3.413)	(0.146)	(0.146)	(0.146)	(8.558)
Total Resources	(33.485)	(32.981)	(28.697)	(22.475)	(21.925)	(21.764)	(161.327)

* Breakdown of the individual schemes can be found in Table 11.

TABLE 10: Housing Growth Investment Programme – 2020 – 2025

SCHEMES:	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	TOTAL £M
<u>Housing Revenue Account - Capital Programme - Housing Growth</u>							
<u>New Build</u>							
Bungalows	1.513	-	-	-	-	-	1.513
Baden Street	0.189	-	-	-	-	-	0.189
Longcar Lane	0.300	-	-	-	-	-	0.300
King Street, Hoyland	1.400	1.400	-	-	-	-	2.800
Kenworthy Road	0.481	-	-	-	-	-	0.481
St Michael's Avenue	-	2.300	3.131	-	-	-	5.431
	3.883	3.700	3.131	-	-	-	10.714
<u>Acquisitions</u>							
Strategic Acquisitions – Empty Homes, Sec 106	1.853	2.223	0.400	-	-	-	4.476
Locksley Gardens, Birdwell	0.629	-	-	-	-	-	0.629
Pilley	0.229	-	-	-	-	-	0.229
Broadway Acquisitions and Conversion	0.596	-	-	-	-	-	0.596
	3.307	2.223	0.400	-	-	-	5.930
<u>Other Housing Growth</u>							
HRA Surveyor	0.100	-	-	-	-	-	0.100
Supported Housing Proposal	0.599	-	-	-	-	-	0.599
Sprinkler Systems - Flats & Independent Living	0.700	0.700	-	-	-	-	1.400
Feasibility Studies	0.145	-	-	-	-	-	0.145
Property Conversions	0.250	0.250	-	-	-	-	0.500
Environmental Improvements	0.250	-	-	-	-	-	0.250
	2.044	0.950	-	-	-	-	2.994
<u>HRA Investments 2020</u>							
Billingley View	-	1.400	0.460	-	-	-	1.860
Sunnybank / Overdale	-	0.315	0.280	-	-	-	0.595
Athersley South, Adapted Bungalow Scheme	-	0.500	0.700	-	-	-	1.200
Dearne Acquisition, Demolition and Redevelopment	-	0.280	0.280	-	-	-	0.560
Customer Services IT System	-	1.000	1.000	-	-	-	2.000
Increase Equipment & Adaptations Budget	-	0.400	0.200	0.200	0.200	-	1.000
Environmental Improvements	-	0.050	0.195	0.195	0.195	-	0.635
Installation of Solar PV	-	0.250	0.250	0.250	0.250	-	1.000
Strategic Acquisitions	-	1.000	1.000	1.000	-	-	3.000
	-	5.195	4.365	1.645	0.645	-	11.850
Increase Replacement Items	-	0.146	0.146	0.146	0.146	0.146	0.730
Retained 1-4-1 Right to Buy Housing Capital Receipts	-	0.855	0.437	-	-	-	1.292
Housing Growth Investment Programme	9.234	13.069	8.479	1.791	0.791	0.146	33.510