



Report to Policy Committee

Author/Lead Officer of Report: Ryan Keyworth,
Director of Finance and Commercial Services

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Report of: *Ryan Keyworth and Janet Sharpe*
Report to: *Housing Policy Committee*
Date of Decision: *10th November 2022*
Subject: *2023/24 Budget Position*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? (<i>Insert reference number</i>)				
Has appropriate consultation taken place?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
The appendix is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).				

Purpose of Report:

This report updates in the Policy Committee on the progress of the 2023/24 budget process. The appendix contains specific budget proposals that the Housing Policy Committee are asked to endorse.

Recommendations:

The Housing Policy Committee is recommended to:

1. Note the update on the Council's 2023/24 budget position.
2. Endorse the budget proposals set out in Appendix 1

Background Papers:

[12 October 2022 Strategy and Resources Committee Report](https://democracy.sheffield.gov.uk/documents/s50376/3 - Revenue Budget Report 2022-23.pdf)
<https://democracy.sheffield.gov.uk/documents/s50376/3 - Revenue Budget Report 2022-23.pdf>

Lead Officer to complete: -		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>Ryan Keyworth, Director of Finance and Commercial Services</i>
		Legal: <i>David Hollis, Assistant Director, Legal and Governance</i>
		Equalities & Consultation: <i>James Henderson, Director of Policy, Performance and Communications</i>
		Climate: <i>n/a</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	SLB member who approved submission:	<i>Ryan Keyworth</i>
3	Committee Chair consulted:	<i>Cllr Douglas Johnson</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Ryan Keyworth</i>	Job Title: <i>Director of Finance and Commercial Services</i>
	Date: <i>1st November 2022</i>	

1. PROPOSAL

1.1. This report updates in the Policy Committee on the progress of the 2023/24 budget process.

1.2. S&R received the sum of the Policy Committee Budget Proposals on 12 October. This left a £19.6m remaining gap assuming that all proposals Noted by Policy Committees are ultimately approved	General Fund Revenue Budget (£m)	Pressure	Noted by Committee	Mitigations to find
	AHSC	25.0	-25.0	0.0
	ECF	12.4	-6.9	5.5
	Housing	0.7	-0.5	0.2
	TRC	3.4	-0.8	2.6
	EDS	0.6	-0.5	0.1
	WSS	11.5	-0.9	10.6
	CPL	2.3	-2.3	0.0
	S&R (Corporate)	16.7	-16.7	0.0
	S&R (Committee)	7.8	-7.2	0.6
	Total	80.4	-60.8	19.6

1.3. **There are some potential improvements to this position** Work is still in progress, particularly with the Education, Children and Families Committee which is resulting in further savings being identified.

It is hoped that this will improve the position to leave around £15m still to be found.

1.4. **We need to find options to close most, if not all of this gap** Based on the latest budget monitoring, by the end of the financial year we will have used around £54m of the £70m reserves we earmarked to support a return to financial sustainability.

That means we can't use reserves to balance next year's budget – we don't have the scope to fill recurrent overspends with one-off reserves and if we do, we'll find ourselves under increasing external scrutiny.

1.5. **We can afford some one-off costs for change** We can use the remaining £16m of reserves to help us change our organisation to both deliver on our plans and operate at a lower ongoing cost.

1.6. **Ultimately, it's for S&R to recommend a budget to Council** In the Council's constitution, it is for the Strategy and Resources Committee to recommend a budget to Full Council. This applies to both the Housing Revenue Account business plan and rent setting report to the 1 February 2023 full Council meeting and the rest of the budgets and Council Tax level report to the 1 March 2023 Full Council meeting.

The process we have followed this year with Policy Committees was designed to provide the maximum level of individual Policy Committee involvement in the process that is allowed by the Constitution.

Time is now against us, and it may be necessary for S&R to make recommendations to Council that have not been

explicitly approved by the relevant Policy Committee in a public meeting.

November Policy Committees and December Strategy and Resources Committee

1.7. **The November Policy Committees can be the first step to approval**

The original intention was for Policy Committees to endorse their overall budgets and recommend them to Strategy and Resources which would in turn recommend the budget to Full Council.

That may still be possible for some Committees where proposals have widespread political support and where the necessary consultations with stakeholders have taken place to allow proposals to be set out in public.

Where this is possible, a separate report on this agenda will set that out.

1.8. **5 December S&R will need an almost final position**

There will be no time to alter the Housing Committee's Housing Revenue Account business plan and budget after Christmas if the Housing Rent setting decision is to be made at the 1 February Council.

There may be time leading up to Christmas to make minor changes to the General Fund budget leading up to 1 March Council, but not much.

There will also be significant work to do on public consultation, equality and climate impacts and other stakeholder engagement in the time between Christmas and mid-February.

We need a solid position ahead of what could be an uncertain and late Local Government Finance Settlement.

2. HOW DOES THIS DECISION CONTRIBUTE?

The recommendations in this report are central to the process of completing the Council's 2023/24 budget process in good time.

3. HAS THERE BEEN ANY CONSULTATION?

There has been no consultation on this report, however, it is anticipated that the budget process itself will involve significant consultation as the Policy Committees develop their budget proposals.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1. Equality Implications

There are no direct equality implications arising from this report. It is expected that individual Committees will use equality impact analyses as a basis for the development of their budget proposals in due course.

4.2. Financial and Commercial Implications

There are no direct financial implications from this report.

4.3. Legal Implications

Under section 25 of the Local Government Act 2003, the Chief Finance Officer of an authority is required to report on the following matters:

- the robustness of the estimates made for the purposes of determining its budget requirement for the forthcoming year; and
- the adequacy of the proposed financial reserves.

There is also a requirement for the authority to have regard to the report of the Chief Finance Officer when making decisions on its budget requirement and level of financial reserves.

By the law, the Council must set and deliver a balanced budget, which is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However, a budget will not be balanced where it reduces reserves to unacceptably low levels and regard must be had to any report of the Chief Finance Officer on the required level of reserves under section 25 of the Local Government Act 2003, which sets obligations of adequacy on controlled reserves.

4.4. Climate Implications

There are no direct climate implications arising from this report. It is expected that individual Committees will consider climate implications as they develop their budget proposals in due course.

4.5. Other Implications

No direct implication

5. **ALTERNATIVE OPTIONS CONSIDERED**

The Council is required to both set a balance budget and to ensure that in-year income and expenditure are balanced. No other alternatives were considered.

6. **REASONS FOR DECISION**

The Council is required by law to set a balanced budget each year. This report is pursuant to that objective and is in line with the process and timetable agreed by the Strategy and Resources Committee on 31 May 2022 and 5 July 2022.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Report to Policy Committee

Author/Lead Officer of Report: Janet Sharpe,
Director of Housing

Tel: 0114 2735493

Report of: Executive Director, Operational Services
Report to: Housing Policy Committee
Date of Decision: 10 November 2022
Subject: Housing Revenue Account Savings 2023/24

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 1289, 1290, 1292, 1291				
Has appropriate consultation taken place?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
The appendix is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).				

Purpose of Report:

The report provides a breakdown of the pressures and mitigation/savings options for the Housing Revenue Account in 2023/24. Members are asked to endorse the mitigation options presented in this paper.

Recommendations:

It is recommended that the Housing Policy Committee: -

1. Endorses the Housing Revenue Account savings proposals/mitigations as set out in this report and recommends to the Strategy and Resources Committee that they be approved as part of the Council's budget for 2023/24
2. Request a further report on the Housing Revenue Account Business plan at their February meeting with details of the full capital and revenue expenditure proposals for 2023/24
3. Acknowledge that the final decision on council housing rents will be taken at the Full Council in February once the outcome of the government consultation on the Rent Standard is known.

Background Papers: Appendix 1 Confidential

Lead Officer to complete:-	
1	<p>I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</p> <p>Finance: <i>Helen Damon</i> Legal: <i>Stephen Tonge</i> Equalities & Consultation: Ed Sexton Climate: <i>n/a</i></p>
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>
2	<p>EMT member who approved submission: <i>Ajman Ali</i></p>
3	<p>Committee Chair consulted: <i>Cllr Douglas Johnson</i></p>
4	<p>I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.</p>
	<p>Lead Officer Name: <i>Janet Sharpe</i></p> <p>Job Title: <i>Director of Housing</i></p>
	<p>Date: 8th November 2022</p>

1. Proposal

- 1.1 Members need to consider HRA savings options for 23/24** The General Fund report on the Council's budget position presented to the Committee as the previous item on this agenda highlighted the significant issues facing this Council. The Housing Revenue Account also faces significant budget pressures going into 2023/24, and these pressures will impact on the ability of the HRA Business Plan to remain affordable over the next 30/40 years. This report provides a limited number of options working towards a balanced budgetary position for 2023/24.

2. Background

- 2.1 The Council's HRA is the financial account of the Council as landlord** The Council's HRA is the financial account of the Council as landlord. It is ring-fenced in law for income and expenditure in respect of council housing and housing land and certain activities in connection with the provision of council housing only. Other council services are funded through council tax and central government support which benefits all citizens of Sheffield regardless of tenure.
- 2.2 There is a HRA budgetary pressure of £20.6m in 23/24** The HRA Business Plan is facing significant budgetary pressures over at least the next 5 years. The overall impact of this is that the Council is unlikely to be able to fund all the plan's key priorities. Early projections indicate that significant savings of around £20.6m are required in 2023/24. The level of these savings may be partly mitigated by any rent increase that the Council decide to make for 2023/24.
- 2.3 The SIP has been reduced to 2,310 units as part of modelling** The Business Plan modelling that has been undertaken assumes that the Stock Increase Programme (SIP) is reduced to 2,310 units from the current figure of 3,100. This accounts for all developments currently in the 'pipeline', but not 'opportunity' sites. The cost to complete delivery of the 3,100-unit programme has increased to £558m. Reducing to the 2,310 units (1822 plus 488 prior years) brings the cost back to the approved budget of £354m.
- 2.4 Some protection for the Repairs Service has been built into the budget** The 22/23 budget for the Repairs and Maintenance Service was initially set at £40.2m. However, this has been increased through the year to account for backlog maintenance, pay and inflation. The expected outturn is currently £46.2m. The budget for 2023/24 assumes a continuation of the pressures identified in 2022/23 and adds a further £2.2m of inflationary and pay award pressures. The Repairs and Maintenance Service intend to manage the pay pressures through a review of overheads to generate savings of £1.5m (detailed below as a saving option). The final net budget for 2023/24 is therefore £46.9m – an overall increase of £0.7m on 2022/23 projected outturn.

2.5 There are significant pressures to address

The table below summarise the pressures in achieving a balanced Housing Revenue Account budget in 2023/24.

2.6 This table shows the HRA pressures for 23/24

	2023/24
PRESSURES	£000s
Rent loss from vacant properties	3,000
Repairs Service pressures	8,200
Cost of non-insourced repairs	920
Increased disrepair claims	2,645
Housing Ombudsman costs	120
Additional staffing costs (OPIL)	55
Housing Business Change Team	100
Council Tax charges on vacant properties	1,000
Increase SLA charge Parks and Countryside	300
Community Safety Funding	200
Increase in Hardship Fund	300
Increase utility costs – non residential	580
Additional IT costs	61
22/23 Pay Award (Housing & Neighbourhoods)	765
23/24 Pay Award (Housing & Neighbourhoods)	1,245
Increase gas/electric prices for Community Heating	1,100
TOTAL PRESSURES	20,591

2.7 Savings proposals totalling £9.3 have been identified

Appendix 1 presents a range of savings options for delivering £9.3m which will contribute towards mitigating the pressures above. Members are asked to endorse the Housing Revenue Account savings proposals/mitigations as set out in Appendix 1 and recommend to the Strategy and Resources Committee that they be approved as part of the Council's budget for 2023/24

2.8 The Council's ability to increase rents is set by Government

The HRA receives most of its income through dwelling rents, with a much smaller percentage coming from garage and other non-dwelling rents. The Council's ability to set rents is constrained by the Regulator of Social Housing Rent Standard which is determined by a government direction under Section 197 of the Housing and Regeneration Act 2008. The Council has discretion to set rent levels in line with this standard which caps any increase to the September Consumer Price Inflation (CPI) + an additional 1%. The Council must comply with the rent setting rules. If it fails to do so it may be made subject to regulatory action.

2.8 The Government has completed

The Government launched a consultation on a temporary amendment to the Rent Standard for 2023/24 on 31st August 2022. This new Direction, if approved, would require the Regulator to amend its Rent Standard so that the current CPI+1% limit on annual rent increases

its consultation on a temporary amendment to the Rent Standard.

would be subject to a ceiling from 1 April 2023 to 31 March 2024. The draft direction is based on setting the ceiling at 5%. This would act as an upper limit on the maximum permitted annual rent increase a Registered Provider is allowed to implement. Registered Providers would be permitted to increase rents by 5% or CPI+1%, whichever is the lower. However, within this consultation, the government sought views on 3%, 5% and 7% as ceiling options. There are exemptions proposed to the ceiling for new homes and vacant properties upon reletting. The consultation ended on 12th October 2022, and it has since been announced that CPI for September was 10.1%. If the outcome from the consultation is not to apply a cap, rent levels could be increased to up to 11.1% from 2023/24. The outcome of the consultation is not expected to be announced until later this year. This means that the Council is unable at this point to confirm Council Housing rents for 2023/34. There will be no time to alter the Housing Policy Committee's Housing Revenue Account business plan and budget after Christmas if the Housing Rent setting decision is to be made at the 1 February Council. Therefore, several scenarios have been modelled for information to exemplify the potential impact on the HRA.

2.9 Four possible rent setting scenarios have been modelled

Four possible rent setting scenarios have been modelled to provide context for setting a balanced HRA budget for 2023/24. The table below shows the overall HRA position for each of these scenarios assuming the savings proposals within this paper are adopted.

All figures in £000's

Potential rent increase	0%	3%	5%	7%	11.1%
Additional rental income	0	-4,376	-7,494	-10,616	-17,009
Total Pressures	20,591	20,591	20,591	20,591	20,591
Total savings/mitigations proposed so far (excluding rent increase)	-9,340	-9,340	-9,340	-9,340	-9,340
NET BUDGET GAP	11,251	6,875	3,757	635	-5,758

2.10 A balanced budget would only be achievable with a 7% rent increase

The modelling is presented on the best-known information at this point. However, there are several variables that are not yet fixed (including rent levels) and each of the saving proposals carry a degree of risk.

As the table above shows, the higher the rent increase that is applied, the budget gap is reduced, and the level of savings/mitigations required is also reduced. However further savings/mitigations would allow some flexibility in applying a lower rent.

2.11 A less than 7% increase would require significant service reductions

Any rental increase below 7% would require further significant service reductions to present a balanced HRA Business Plan. A 0% increase would require additional £11.2m savings, with a 3% increase requiring £6.8m of additional savings. There would be an extended lead-in time for developing these options and it may not be possible to bring these savings forward in full in 2023/24. Further savings would also have a significant impact on services delivered to tenants.

2.12 These proposals will not deliver all tenant and Member priorities

These proposals will not deliver all tenant and Member priorities for HRA services. There are other significant investment options for improving services to tenants and the quality of council housing in the city that will not be delivered through these budget proposals. The table below provides a summary of these priorities. To deliver these priorities then significant additional savings would be required. No proposals for achieving this are presented at this time.

Additional Investment Options – Member and Tenant Priorities	What are the issues that need to be considered? These options will require further savings to be realised for re-investment.
Accelerate the planned insulation programme to bring all properties to EPC C before 2030	Key issues include supply chain considerations, inflationary impacts per annum and availability of workforce to undertake the required works.
Achieve Net Zero by 2030.	Similar issues as above. Technology is improving at a rapid rate therefore properties at the end of the programme will be more advanced than the ones at the start of the programme.
Enhanced street scene works – 10-year programme based on a targeted strategic approach rather than an ad hoc neighbourhood approach.	Improve the overall appearance of our neighbourhoods through capital works. Issues around kerb appeal and general maintenance have been picked up on member walkabouts, and to make the improvements that are being requested, some targeted capital work may be required.
Improvements to waste management and development of a comprehensive Waste Management Strategy	This piece of work requires a fundamental rewrite of the Waste Management Strategy based on current usage of the asset, the new fire safety regulations and the proposed consumer regulations being developed by the Regulator of Social Housing.
Stock Increase programme ‘opportunity’ sites. ‘Opportunity’ sites are the 790 currently unfunded properties.	The increased capital cost (mainly attributable to inflation, general build cost increases & changes in central govt policy) has impacted the ability of the HRA to support delivery of the original target. A reduction in the SIP units to meet the approved funding will reduce the amount of SCC affordable housing and put the onus on Registered Provider organisations to deliver the required number of affordable units. impact rents, opportunity to free-up family homes and exacerbate hotel/B&B need.
To introduce an enhanced cleaning service across flats and maisonettes.	This would increase the weekly cleaning service to improve current standards.

2.13 Committee are asked to endorse these proposals	The Committee are asked to discuss the mitigation/savings proposals presented and endorse these for approval by the Strategy and Resources Committee. It should be noted that the mitigations/savings presented only provide a saving of £9.3m, meaning a further £11.3m savings will be required to achieve a balanced Housing Revenue Account Business Plan for 2023/24. Additional work will be undertaken to identify further savings options for consideration by the Strategy and Resources Committee. A full Business Plan report, including details of the housing capital programme and the delivery of revenue spending priorities for 2023/24 will be presented to the Housing Policy Committee in February 2023. The final determination of council housing rents for tenants in Sheffield will be taken by Full Council in February once the outcome of the government consultation on the Rent Standard is known.
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3. How does this decision contribute?

3.1 The proposals recognise the difficult financial situation	The proposals in this report are aimed at maximising financial resources to deliver housing outcomes to citizens in Sheffield considering developments in national policy, the current economic climate, and reductions in government funding.
3.2 Housing Revenue Account services are part of the current One Year Plan	The services listed here have made a significant contribution to the delivery of <i>'High quality, safe homes for all our citizens'</i> as part of the Council's One-year Plan.
3.2 Services will reflect the Medium-Term Corporate Plan	The Council have developed a new set of strategic priorities for 2023/24 (Our Sheffield – administration priorities) with the intention for these priorities to form the basis of the new medium term Corporate Plan which is currently in development. As the new Corporate Plan emerges from these administration priorities, we will continue to ensure that our own priorities link and feed into to broader corporate priorities where relevant.

4. Has there been any consultation?

4.1 Consultation will be undertaken as proposals develop	Consultation on the outline proposals has taken place with the tenant Housing and Neighbourhoods Advisory Panel. The Panel has provided some initial thoughts on the proposals from a tenant perspective. There was a general understanding about the impact of the cost-of-living crisis on tenants and the impact on the Council's costs. Tenants felt that any reduction in services would be unwelcome, but there was
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an acceptance that services to vulnerable tenants had to be prioritised as part of the decision-making process. The Panel felt that it was important to consult more widely on the proposals following any decisions by the Committee. This consultation will be undertaken prior to any changes to services being actioned and as the Policy Committees develop their budget proposals

4.2 There may be some implications for staff There is a formal process of consulting with staff and Trade Union representatives on any proposals where any changes to staffing structures are required. These outline proposals have already been shared with the Trade Unions to provide early sight of the potential direction of travel for achieving the required savings. Further consultation will be required with both staff and Trade Unions following this Committee dependent on the outcome.

5. Risk analysis and implications of the decision

5.1 Each individual proposal has had an initial Equality Impact Assessment **Equality Implications**
 There are no direct equality implications arising from this report. However, an initial Equality Impact Assessment (EIA) has been completed for each of the savings' proposals set out in this report. Further equality impacts will be completed if required following this Committee and dependent on the outcome.

5.1 There are no direct financial implications arising from this report **Financial and Commercial Implications**
 Each Committee is required to deliver a cash standstill budget for 2023/24, which requires them to find mitigations for any Service pressures over above 2022/23 budget. The pressures and savings proposals to address this are set out in this paper. Currently this Committee has a gap of £11.3m to meet its target. Further work will be required to address this gap and to ensure delivery plans are in place. All Committees savings proposals will be considered by the Strategy & Resources Committee before final sign off to ensure a balance 2023/24 budget for the Council as a whole.

5.3 No new legal issues arise other than those ordinarily governing the HRA **Legal Implications**
 The duty to keep a Housing Revenue Account and prevent a debit balance on it and restrictions as to what may be credited or debited to the account ("the ringfence") are governed by Part VI of the Local Government and Housing Act 1989 (the 1989 Act). This formerly included provision for annual HRA subsidy paid by central Government to local housing authorities, as determined by the Secretary of State. HRA subsidy was abolished by the Localism Act 2011, which provided for the Secretary of State to determine the calculation of a settlement payment to or from each local housing authority. This settlement and

its implications for the self-financing HRA continue to inform the Business Plan.

The HRA provisions in the 1989 Act include the duty in January or February each year to formulate proposals relating to HRA income and expenditure. Those proposals will be addressed in the November report to this Committee.

By section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine and must from time-to-time review rents and make such changes as circumstances may require. Such circumstances will of course include other statutory requirements such as those described in this report. The duty to review rents and make changes is itself subject to the requirements for notice of a variation set out in Section 103 of the 1985 Act. The notice must specify the variation and the date on which it takes effect which must be at least four weeks after the date of service. To implement the rent variation recommended in this report notice of the variation must be sent to all tenants within the first week of March at the latest.

In February 2019 the Government published a policy statement on rents for social housing from 1 April 2020 onwards and, pursuant to powers under section 197 of the Housing and Regeneration Act 2008, issued the Direction on the Rent Standard 2019. This required the Regulator of Social Housing to set a new rent standard, consistent with the Rent Policy Statement, with effect from 1 April 2020. The Direction applies to the Regulator in relation to the rents of all registered providers of social housing, including local authorities, and replaces a 2014 Direction which applied only to the rents of private registered providers. The requirement that the Council's rent increases be in accordance with government rent policy is not itself new but with effect from 1 April 2020 this is secured through a regulatory standard. The Council must comply with the rent setting rules. If it fails to do so it may be made subject to regulatory action.

5.4	There are no direct climate implications arising from this report	Climate Implications There are no direct climate implications arising from this report. It is expected that individual Committees will consider climate implications as they develop their budget proposals in due course
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6. Alternative options considered

6.1	No other options were considered	The Council is required to both set a balanced HRA budget and to ensure that in-year income and expenditure are balanced. No other alternatives were considered.
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7. Reasons for recommendations

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- 7.1 Members are asked to note the challenging budget situation and determine action**
- Members are asked to note the unsustainable financial position highlighted by the medium-term financial analysis presented to Strategy and Resources Committee in July 2022. This report and its recommendations, sets out the scale of the challenge ahead, the limited resources available and the difficult decisions that now need to be taken to deliver a balanced HRA budget for 2023/24.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Report to Policy Committee

Author/Lead Officer of Report: Nesreen Lowson

Tel: 0114 2735493

Report of: Executive Director – Operational Services

Report to: Housing Policy Committee

Date of Decision: 7th November 2022

Subject: Housing Capital Programme – Q2 Finance Report

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<p><i>“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”</i></p>				

Purpose of Report:

The Housing Investment Programme (Capital) brings together the 30-year Asset Management Strategy for Council Housing that sets out the priorities for investment and, to ensure that homes meet the Government’s Decent Homes Standard and, delivery of tenants’ priorities to improve the quality of homes and neighbourhoods. Investment priorities are formulated from detailed stock condition and other surveys to ensure effective planning of works, repairs intelligence, life-cycle modelling and, feedback from tenants.

The Housing Investment Programme is co-designed and agreed with tenants for Council Housing stock.

The Housing Capital Programme is split into three distinct areas of activity; Council Housing Investment (existing stock and assets) and the Council’s Stock Increase Programme, funded from the Council’s Housing Revenue Account, as described in the annual HRA Business Plan. There is also the Non-HRA Capital Programme which includes the Programme Management, Homes & Loans to private homes and investment in private homes. The table at 1.8 how the overall Housing Capital Programme split between Council Housing Investment, Stock Increase and Non-

HRA areas of the programme.

The purpose of this report is to provide an update of the progress against the approved 2022/23 Housing Investment Programme, this is reported regularly as part of the Council's Corporate Capital Programme to Strategy and Resources Committee normally on a quarterly basis. This report will focus on providing an update with regard to spend and progress against the 22/23 Housing Investment Programme as at September 2022. The report also provides an update of the 5-year Housing Investment Programme.

Recommendations:

The Housing Policy Committee members are recommended to:

- Note the 2022-23 Housing Capital Programme forecasting and budget position at the end of period 6.

Background Papers:

N/A

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: <i>Damian Watkinson</i>
	Legal: <i>Stephen Tonge</i>
	Equalities & Consultation: <i>N/A</i>
	Climate: <i>N/A</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission: Ajman Ali
3	Committee Chair consulted: Douglas Johnson
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	Lead Officer Name: Janet Sharpe
	Job Title: Director of Housing Housing and Neighbourhood Service
Date: 10 November 2022	

1. PROPOSAL

- 1.1 The Housing Investment Programme was approved in January 2022 as part of the Housing Revenue Account (HRA) Business Plan and, was also included in the Council's Corporate Capital Programme in February 2022 that brings together all Capital Programmes together for formal approval.
- 1.2 The Housing Investment Programme (capital) has a rolling 5-year Programme. As part of the HRA Business Plan there is also a 30-year Asset Management Strategy with investment plans for 30 years and, reporting against a 1 year and, 5-year programme. The HRA Housing Investment Programme is co-produced with tenants and regularly consulted on to ensure stock is compliant with current regulations (including the new Fire and Building Safety Regulations, Gas, Electrical, Asbestos etc) and Decent Homes Standards.
- 1.3 The Housing capital investment strategy will focus on a 'fabric first' approach to protect council housing assets, to reduce our ongoing and longer-term repairs and maintenance obligations and increase tenants' satisfactions with their homes. We will also be moving to an area-based investment approach to reflect local priorities that are important to residents and tenants. Close working arrangements are in place with the Council's Repairs Services to ensure alignment across Capital and Revenue investment.
- 1.4 Below is a summary of the approved 5 Year Housing Capital; Investment Programme:
- 1.5 Each year a review of the 30 year and 5-year Housing Investment Programme is undertaken and any profile changes are approved as part of the Council's HRA Business Plan in January. Each year additional years are added so that we always have a 5- and 30-year programme. This will be brought to the Housing Policy Committee in January 2023.
- 1.6 The updated 5-year programme changes was approved by the Co-operative Executive on the 19th of January 2022 who approved the total 5 year programme of £660m.
- 1.7 A number of variations to the programme were approved before the end of March 2022 as a result of delays on some programmes that had continued to be affected by the pandemic which had slowed down some capital works and procurement plans. A total of £16.068m in year-end slippage was approved in April 2022. This included £2.268m for Council Housing Investment and £12.973m for the Stock Increase Programme.
- 1.8 Further variations to the programme were approved following detailed reviews on the HRA capital finance budget available for the 5-year

approved capital programme during June -August 2022 to reflect current market conditions. The total variations approved following these reviews re-set the Housing Investment Programme to £78.5m for 2022/23.

Housing 5 Year Capital Programme						
Housing Investment Programme	2022/23 Full Year	2023-27 Programme				
	2022/23 FY Budget	2023/24 FY Budget	2024/25 FY Budget	2025/26 FY Budget	2026/27 FY Budget	5 Year Total FY Budget
HEATING, ENERGY & CARBON REDUCTION TOTAL	4,917,020	21,679,222	10,859,000	10,845,480	13,450,000	61,750,722
H & S ESSENTIAL WORK TOTAL	14,715,359	8,961,819	18,667,645	21,880,321	18,240,654	82,465,798
ADAPTATIONS & ACCESS TOTAL	3,534,657	3,343,500	3,304,730	3,008,421	3,130,011	16,321,319
HRA PROGRAMME MANAGEMENT TOTAL	3,050,000	3,100,000	3,150,000	3,200,000	3,250,000	15,750,000
WASTE MANAGEMENT & ESTATE ENV TOTAL	-	801,986	2,770,000	3,365,000	3,515,000	10,451,986
ENVELOPING & EXTERNAL WORK TOTAL	8,190,727	8,734,000	9,275,940	13,692,270	3,682,118	43,575,055
COMMUNAL AREA INVESTMENT TOTAL	-	500,000	2,500,000	2,500,000	2,927,200	8,427,200
INTERNAL WORKS TOTAL	2,863,970	2,832,497	3,733,747	4,144,146	5,906,272	19,480,632
OTHER PLANNED ELEMENTALS TOTAL	1,092,970	1,269,100	1,332,000	1,332,000	1,482,000	6,508,070
GARAGES & OUTHOUSES TOTAL	2,600	130,027	250,000	250,000	250,000	882,627
IT UPGRADE TOTAL	0	0	0	0	0	0
GV MASTERPLAN DELIVERY TOTAL	200,000	500,000	9,200,690	10,963,000	20,162,399	41,026,089
COUNCIL HOUSING INVESTMENT TOTAL	38,567,302	51,852,151	65,043,752	75,180,638	75,995,654	306,639,497
Stock Increase Programme	2022/23 Full Year	2023-27 Programme				
	2022/23 FY Budget	2023/24 FY Budget	2024/25 FY Budget	2025/26 FY Budget	2026/27 FY Budget	5 Year Total FY Budget
STOCK INCREASE PROGRAMME TOTAL	£34,900,425	£53,209,086	£109,833,063	£75,334,348	£72,482,258	£345,759,180
HRA PROGRAMME TOTAL (Council Housing Investment + Stock Increase)	£73,467,727	£105,061,237	£174,876,815	£150,514,986	£148,477,912	£652,398,677
Non HRA Programme	2022/23 Full Year	2023-28 Programme				
	2022/23 FY Budget	2023/24 FY Budget	2024/25 FY Budget	2025/26 FY Budget	2026/27 FY Budget	5 Year Total FY Budget
Non-HRA REGENERATION TOTAL	18,000	18,000	18,000	18,000	18,000	90,000
Non-HRA PROGRAMME MANAGEMENT TOTAL	377,000	377,000	377,000	377,000	377,000	1,885,000
HOMES & LOANS TOTAL	1,205,809	0	0	0	0	1,205,809
PRIVATE HOUSING STANDARDS TOTAL	145,000	145,000	145,000	145,000	145,000	725,000
OTHER CAPITAL WORKS TOTAL	3,284,123	0	0	0	0	3,284,123
NON-HRA SUMMARY TOTAL	5,029,932	540,000	540,000	540,000	540,000	7,189,932
GRAND TOTAL	£78,497,659	£105,601,237	£175,416,815	£151,054,986	£149,017,912	£659,588,609

1.9 The current 2022-23 Housing Capital Programme position is shown in the table below:-

(Figures in £m)

2022-23 Housing Capital Programme Position	Approved	Changes	Planned
HRA Investment in Council Housing (Themes)	38.567	0.00	38.567
HRA Stock Increase Programme	35.044	(0.144)	34.900
HRA Capital Programme Subtotal	73.611	(0.144)	73.467
Non-HRA Capital Programme	5.030	0.00	5.030
TOTAL Housing Capital Programme	78.641	(0.144)	78.497

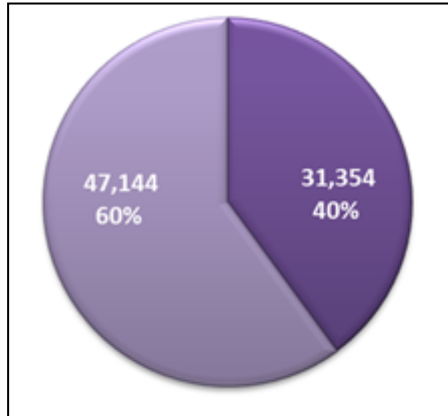
1.10 Expenditure to Date on Budget for 2022/23

1.10.1 The total 2022-23 Housing Capital Programme expenditure to the end of September was £31.354m. This is 40% of the current approved budget compared to the same period in 2021/22 the expenditure to date performance was at £21.714m, 19% of the budget at the time. Although the budget was higher in 2021/22, a higher level and percentage of outturn against the budget position is now being

achieved in 2022/23.

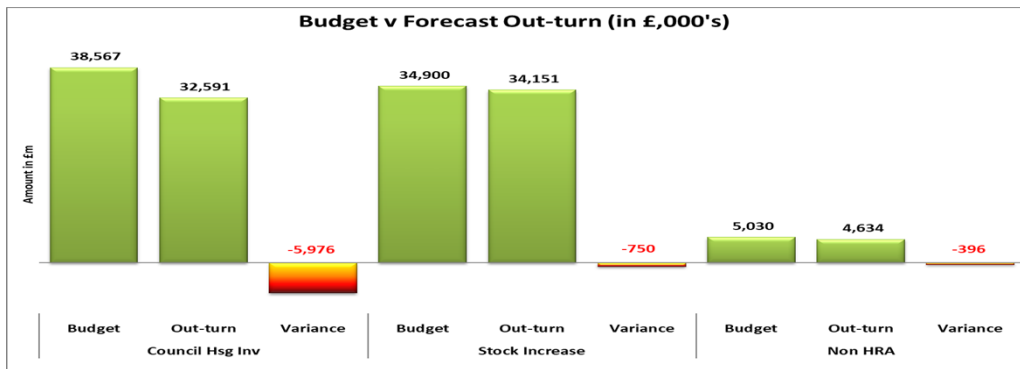
A number of Housing Investment and Stock Increase Programme budgets have been re-profiled to take into account project slippages and changes.

The chart below indicates the expenditure of the programme to the approved Programme budget of £78.498m



1.11 Forecast Out-turn Position

1.11.1 The total Housing Capital Programme year-end forecast out-turn at the end of September was £71.376m. This indicates (£7,122) under the proposed programme budget of £78.497m.



1.11.2 The above chart shows the current forecast out-turn for the Council Housing Investment, Stock Increase and Non HRA Programmes.

1.11.3 The variances for each section of the programme are a combination of procurement (tender savings), programme changes, slippage and updated financial spend profiles.

1.11.4 Within Council Housing Investment, the forecast total underspend of (£5.976m) is mostly related to Single Staircase Tower Blocks, Pitched Roofing Programme and Lift Replacements which have experienced some changes. Further work has been required for lift replacement procurement which has caused some delays to procurement. A new procurement for the Roofing Replacement has now also been necessary following the currently approved roofing contractor entering

into administration which has slowed down spending whilst we re-procure the contract to deliver works to the remaining properties originally included in that project.

1.12 Forecast Out-turn - Summary

Below are highlights on key variations on forecasts for approved projects within the Housing Capital Programme

1.12.1 The Housing Investment – Capital Programme

1.12.1.1 (£0.106m) Obsolete Heating

The spend and outputs has significantly decreased this period due to the service provider working with the Housing Team to prioritise Gas servicing compliance as a priority. This may affect the final budget and original target installations. The intention is still focussed to hit the original budget targets by the end of the financial year.

1.12.1.2 (£1.440m) Single Staircase Tower Blocks

There is an anticipated slippage against the project in-year budget forecast due longer lead in times required for the contractor to start on site and design changes following the contract award. The contractor is still anticipating completing against the contract completion target date.

1.12.1.3 (£0.324m) Lift Replacements

Surveys are currently in progress, however due to the lead in time for the surveys/designs and estimated material delivery timescales of 26 weeks, it is envisaged an Outline Business Case and Procurement Strategy will now be finalised in early 2023 and to procure a new contract for manufacturing, supplying and installing new lifts. The contract is to run for 3 years when awarded.

1.12.1.4 (£3.523m) Roofing Replacements

The forecast underspend in the year 2 phase of the works is a result of the contract being terminated due to the main contractor entering into administration. The forecast profile has considered any potential outstanding valuations due to the contractor and costs of completing outstanding works to 3 houses and 3 blocks of flats. A new procurement will be required to deliver the remaining properties originally included in the project. This is anticipated to be presented following a review of procurement options in early 2023.

1.12.1.5 (£0.110m) Tower Block Flat Roofing

Start of contract is delayed due to extensive tender evaluation clarifications. A revised start on site is now proposed for March 2023. The remainder of the 2022/23 budget will be required over the 27-month duration of the contract, followed by a retention in 2026/27. A project position evaluation will need to take place and be reported to

the HPG with funding allocations reprofiled, as necessary. Leaseholder notifications on the tender outcomes are currently being prepared for prior to contract award approvals.

1.12.1.6 **(£0.354m) Elemental Refurbishments 2021-26**

A number of void properties require structural work and building surveys. This has meant the average property cost has increased that are being evaluated. The cost of materials and labour has risen in some instances impacting on project costs. Contractor is performing well and working closely with the housing team to ensure value for money and, works can be completed within agreed timescales.

1.12.1.7 **(£1.112m) General Acquisitions – Repairs/ Refurbishment**

The forecast position is a result of slow progress on refurbishment via the Elemental works' contractor. Improving performance in line with the terms of the contract is planned. A slow contract start combined with challenges on subcontractor and material availability has contributed to these delays.

1.12.1.8 **£0.381m Council Housing Acquisitions Programme**

The current anticipated overspend is driven by the increase in average purchase costs is driven by the purchase of the new-build 4-bed properties which cost £172k+ each. We have also seen a general increase in purchase costs across the housing market of up to an average of £102k from £82k during 2021/22 period. The outturn variance this month has slightly decreased due to agreed sales in September. Although prices are increasing the total cost of acquisitions still represents good value and in line with the Council approved Acquisitions NPV payback model.

1.12.1.9 **(£0.689) LAD 2 Private Sector Works**

This is a grant funded programme with a range of contract/ funding controls to ensure that external wall insulation works to 27 properties are delivered in line with LAD 2 bid timescales. The current forecast on the external works is estimated at £689k which is being affected by some access to complete some of the measures/ works required for some properties. Further opportunities with funder are at an advanced stage to re-distribute the funding to the social housing EWI workstream. This will be reviewed over the coming period. If approval is given then spend/outputs can be delivered in time available before funding cut-off period.

1.12.2 **Housing Growth - Stock Increase Programme**

1.12.2.1 **(£0.262m) HEMSWORTH Older People Independent Living**

Due to market feedback a two stage procurement is to be used. This programme has changed to reflect this (shorter tender period, slightly longer design period). A revised timescale is proposed and the financial profile adjusted to meet the new programme.

1.12.2.2 **(£0.590m) GAUNT Road -General Needs**

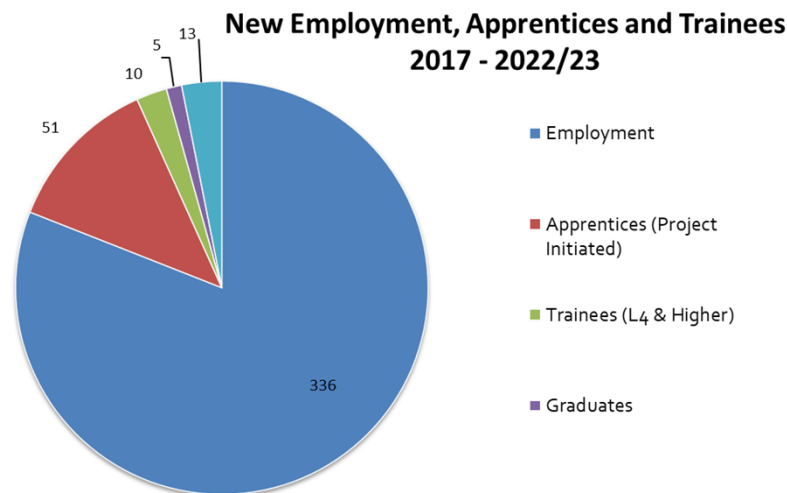
Forecast slippage of £590k in 22/23 and £1.310m in 2023/24 due to delayed start on site and the budget reprofile into 2024/25 will be required.

1.12.2.3 **£0.877m New Build - Phase 16 – Newstead – Enabling Works**

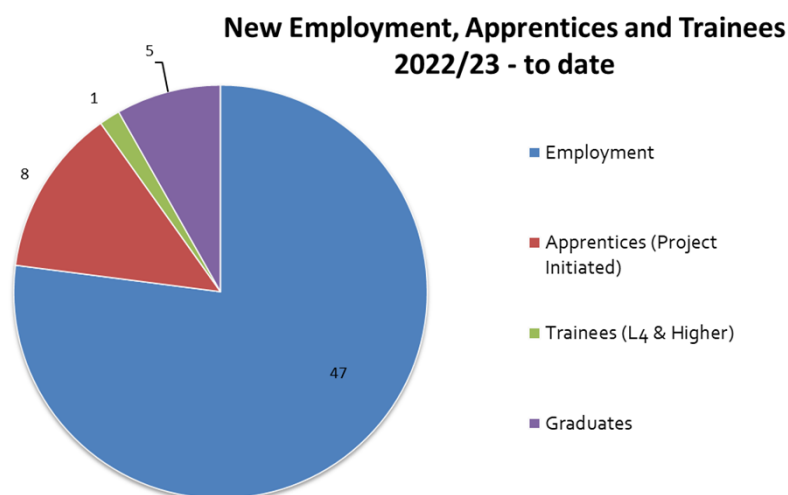
The procurement of Newstead has been reviewed with the enabling works contract being carried out first before the building of the new homes takes place to ensure that both elements are affordable. Works forecast to exceed the approved budget for 2022/23. This has resulted in the budgets for each part being reviewed. This is to be formally changed and future monitoring reports will reflect spending against each element. To date costs are being charged to enabling budget which is then showing as overspend against that budget.

1.13 **Employment and Social Value**

1.13.1 The Housing Investment Programme is achieving significant wider social value from contractors. This information is captured by the Council and published periodically. As part of our procurement of the capital programme contracts, requirements are included during the procurement process and contract delivery for delivering against social value requirements which include supporting local employment and upskilling opportunities (through work experience and apprenticeships). The charts below report on these for the periods of 2017 to date:



1.13.2 To date during 2022/23, the chart below illustrates the report on local employment upskilling opportunities



1.14 Customer Engagement

1.14.1 The Housing Investment Programme (Capital) is made up of work areas to ensure we are compliant with regulations, works that will protect the life of our assets and make areas great places to live. Consulting on and planning the capital programme with tenants is a priority for the Council, so it includes tenants' priorities. Scrutiny on the delivery of the Housing Investment Programme is managed through tenant governance boards and performance reports.

1.14.2 Engagement with key stakeholders including significant consultation with residents and local members is anticipated to take place as part of developing each project proposal contained within the programme through written communication, workshops and consultations events throughout the lifetime of the programme.

When the 2023/24 Housing Investment Programme is approved this year by the Housing Policy Committee this will also be broken down by local areas so that this can be presented to Local Area Committee's as well as local tenant forums currently in place.

1.15 Improvements to properties – Summary outputs

1.15.1 The Capital Programme has delivered so far (2022/23) over 600 new boilers/ central heating systems. We have also completed delivering 345 adaptations including installation of stairlifts to properties with vulnerable customers. 112 properties have received completed retrofitted insulation and ventilation works through the LAD2 project which benefited from government external funding. A further 443 properties have now received new roofs and loft insulation where this is required. 1494 homes have received electrical upgrades and are now compliant with the Electrical Safety regulations. The elementals programme has had a slow start due to issues reported above but is likely to deliver new kitchens, bathrooms, electrical upgrades to hundreds of properties. Fire Safety works are also on track delivering a programme of fire protection measures to single-storey high rise and

high-risk buildings this year.

- 1.15.2 The Gleadless Valley masterplan has recently been launched with circa £100m of investment to be delivered including 221 new homes, 72 homes remodelled and the remaining stock on the estate being refurbished over the next 15 years as part of a comprehensive programme of regeneration improvements.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 That the Housing Policy Committee note the progress made against the latest approved position on the Housing Investment Programme for 2022/23.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 There has been no consultation on this report other than tenant scrutiny performance reporting. The budget approval process itself for each project/programme contained within the Housing Investment Programme do involve significant consultation and engagement with tenants, residents, local members and with key stakeholders.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 There are no direct equality implications arising from this report. It is expected that each individual project will use equality impact analyses as a basis for the development of their project and budget proposals.

4.2 Financial and Commercial Implications

- 4.2.1 The report sets out the current year position of the Housing Capital Programme, as such there are no direct financial implications

4.3 Legal Implications

- 4.3.1 The report is a financial updating report that sets out the current year position of the Housing Capital Programme. There are no new or additional legal implications arising from the report for consideration.

Individual reports on of the three component parts of the Housing Capital Programme being (1) Council Housing Investment, (2) Stock Increase Programme and (3) the Non-HRA Capital Programme should set out any relevant legal implications.

4.4 Climate Implications

- 4.4.1 There are no direct climate implications arising from this report. It is expected that individual projects will consider climate implications as they develop their project and budget proposals in due course.

4.4 Other Implications

4.4.1 *There are no other implications to consider*

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 *No alternative options are considered as part of this update report.*

6. REASONS FOR RECOMMENDATIONS

6.1 This report is to provide the Housing Policy Committee members with an update on progress against the approved 5-year approved Capital programme.

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