



## Mayor and Cabinet

### **Report title: 2022/23 Housing Revenue Account (HRA) Budget Report**

**Date:** 12<sup>th</sup> January 2022

**Key decision:** Yes

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Executive Director for Corporate Resources

### **Outline and recommendations**

The purpose of this report is to set out the overall financial position of the HRA in relation to 2021/22 and to set the HRA Budget for 2022/23. This report allows housing rents, service charge and other housing charges to be set for 2022/23. It provides details of the HRA Capital Programme for the next three years.

The Mayor is asked to consider the recommendations listed in this report at section 2.

## Timeline of engagement and decision-making

10<sup>th</sup> November 2021 – Pinnacle consultation with residents

24<sup>th</sup> November 2021 – Lewisham Homes consultation with residents

9<sup>th</sup> December 2021 – Housing Revenue Account (HRA) – Rent Setting report presented to Housing Select Committee

### 1. Summary

1.1 This report sets out the context and range of budget assumptions which Council is required to agree to enable it set a balanced HRA budget for 2022/23. These include the following:

#### 1.2 Housing

- A proposed rent increase of 4.1% (an average of £4.07 per week) in respect of dwelling rents, 4.1% (average £3.27 per week) in respect of hostels, and a range of other proposed changes to service charges. The proposed annual expenditure for the Housing Revenue Account is £304.0m, including the capital and new build programme, for 2022/23;

#### 1.3 HRA Capital

- The proposed Capital Programme (Housing Revenue Account) budget for 2022/23 to 2026/27 of £723.1m, of which £209.6m is for 2022/23;

#### 1.4 Damp & Disrepair

1.4.1 Following on from recent issues highlighted, an action plan has been developed to manage the problems related to damp and disrepair. These include undertaking property MOT's, to fully identify damp & disrepair within the Councils stock managed by Lewisham Homes with the target of completing 1,000 MOT's by the end of March 2022.

1.4.2 Lewisham Homes are also conducting urgent reviews and physical inspections of every property on their damp and disrepair logs.

1.4.3 Once the results of the MOT's/surveys are known, repairs and follow-up actions will be taken to resolve the issues. This may require the allocation of additional resources of up to £1.0m which are not currently forecast within the current HRA budget allocations. Discussions are on-going with Lewisham Homes on how to fund this request.

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## 2. Recommendations

2.1.1 It is recommended that the Mayor considers the comments of the Housing Select Committee.

2.2 That, having considered the views of those consulted on the budget, and subject to proper process, as required the Mayor;

### Housing Revenue Account

2.3 notes the consultation report on service charges to tenants' and leaseholders in the Brockley area, presented to area panel members on 10<sup>th</sup> November 2021, as attached at Appendix 3;

2.4 notes the consultation report on service charges to tenants' and leaseholders and the Lewisham Homes budget strategy presented to area panel members on 24<sup>th</sup> November 2021 as attached at Appendix 4;

2.5 sets an increase in dwelling rents of 4.1% (an average of £4.07 per week) – as per the formula rent calculations outlined in section 4 of this report;

2.6 sets an increase in the hostels accommodation charge by 4.1% (or £3.27 per week), in accordance with formula rent calculations;

2.7 approves the following average weekly increases/decreases for dwellings for:

2.7.1 service charges to non-Lewisham Homes managed dwellings (Brockley) to ensure full cost recovery and 5.90% inflationary uplift for 2022/23;

• caretaking	5.90%	(£0.29)
• grounds	5.90%	(£0.13)
• communal lighting	5.90%	(£0.08)
• bulk waste collection	5.90%	(£0.09)
• window cleaning	5.90%	(£0.01)
• tenants' levy	0.00%	(£0.00)

2.7.2 service charges to Lewisham Homes managed dwellings:

• caretaking	4.00%	(£0.27)
• grounds	4.00%	(£0.09)
• window cleaning	8.00%	(£0.01)
• communal lighting	20.00%	(£0.21)
• block pest control	15.00%	(£0.27)
• waste collection	0.00%	(£0.00)
• heating & hot water	10.00%	(£1.05)
• tenants' levy	0.00%	(£0.00)
• bulk waste disposal	4.00%	(£0.03)
• sheltered housing	0.00%	(£0.00)

2.7.3 approves the following average weekly percentage changes for hostels and shared temporary units for;

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- service charges (hostels) – caretaking etc.; no change
  - energy cost increases for heat, light & power; no change
  - water charges increase; no change
- 2.7.4 approves an increase in garage rents by 4.9% (£0.77 per week) for Brockley and Lewisham Homes residents as outlined in Appendix 6;
- 2.7.5 notes that the budgeted expenditure for the Housing Revenue Account (HRA) for 2022/23 is £304.0m, split £94.4m revenue and £209.6m capital, which includes the decent homes and new build programmes;
- 2.7.6 agrees the HRA budget strategy cut proposals in order to achieve a balanced budget in 2022/23, as attached at Appendix 1;
- 2.7.7 agrees to write off twenty-one cases of Former Tenants' Arrears as set out in paragraphs 4.25 to 4.28 and Appendix 7, totalling £365,462.94;

#### **HRA Capital Programme**

- 2.7.8 notes the 2021/22 Quarter 2 HRA Capital Programme monitoring position and the Capital Programme potential future schemes and resources as set out in section 5 of this report;
- 2.7.9 notes the significant proposed rise in prudential borrowing of more than £397.5m by 2026/27, primarily to fund the Building for Lewisham programme capital plans;
- 2.7.10 approves the 2022/23 to 2026/27 HRA Capital Programme of £723.1m, as set out in section 5 of this report.

### **3. Policy Context**

- 3.1 The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy. The Council launched its new Corporate Strategy in 2019, with seven corporate priorities as stated below:

#### Corporate Priorities

- **Open Lewisham** - Lewisham will be a place where diversity and cultural heritage is recognised as a strength and is celebrated.
- **Tackling the housing crisis** - Everyone has a decent home that is secure and affordable.
- **Giving children and young people the best start in life** - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.
- **Building and inclusive local economy** - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
- **Delivering and defending health, social care and support** - Ensuring everyone receives the health, mental health, social care and support services they need.
- **Making Lewisham greener** - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
- **Building safer communities** - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

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## Values

- 3.2 Values are critical to the Council's role as an employer, regulator, and securer of services and steward of public funds. The Council's values shape interactions and behaviours across the organisational hierarchy, between officers, and members, between the council and partners and between the council and citizens. In taking forward the Council's Budget Strategy, we are guided by the Council's four core values:
- We put service to the public first.
  - We respect all people and all communities.
  - We invest in employees.
  - We are open, honest, and fair in all we do.

## **4. Housing Revenue Account (HRA)**

- 4.1 The budgeted expenditure for the HRA in 2022/23 is £304.0m, including the capital and new build programme.
- 4.2 It is structured as follows:
- Update on the HRA financial position for 2022/23;
  - Update on the HRA Business Plan; and
  - Future Years' Forecast.

### **Update on the HRA financial position for 2021/22**

- 4.3 The HRA is budgeted to spend over £100m in 2021/22. The latest forecast on the HRA for 2021/22, is that net expenditure can be contained within budget by the year end. There are currently reported pressures in both income and expenditure which can, if necessary, be mitigated by the use of once-off contingencies, reserves and revenue working balances. Expenditure against repairs & maintenance budgets is expected to be contained within the sums allocated.

### **Update on the HRA Business Plan**

- 4.4 The Housing self-financing system was implemented on 1 April 2012 when the HRA subsidy scheme was abolished. The 30 year financial model has been developed based on current management arrangements and rental income estimates, updated for efficiencies and cost pressures. In addition, policy objectives such as sheltered housing and new build plans are incorporated into the modelling.
- 4.5 The plan underwent a major revision in 2015 for a 1% reduction in social rents applied each year for four years from 2016/17 to 2019/20. The impact of the change was a loss of actual rental income of £2.8m when measured against the actual rent roll for the 4 financial years. A loss of £25m against the budgeted resources for the same period and an overall loss of resources assessed at £374.0m over the life of the 30 year business plan.
- 4.6 The HRA financial model has been further updated for current guidance that from April 2020 government allows councils with social housing stock to return to the previous formula rent method of rent increase calculations until at least 2025. This method of rent increase is based on prior September's CPI + 1%. This has been implemented in Lewisham and become effective for rental increases applied from April 2020 onwards.

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For financial year 2022/23, as the September 2021 CPI was 3.1%, the overall increase will be 4.1% (3.1% + 1.0%).

- 4.6.1 The Government's inflation target for the United Kingdom is defined in terms of the Consumer Price Index (CPI) measure of inflation which excludes mortgage interest payments. Since April 2011, the CPI has also been used for the indexation of benefits, tax credits, and public service pensions.
- 4.6.2 For financial planning purposes, the HRA is assuming average pay inflation of 2% per annum, based on the Governments CPI Inflation target. Non-pay inflation is also based on the Governments CPI inflation target of 2.0% per annum.
- 4.6.3 In addition to the above inflationary uplifts, the HRA model has also allocated additional resources to cover the increase in employers National Insurance contributions of 1.5% from April 2022. Current estimates are this this will cost the HRA approximately £228k in 2022/23.
- 4.7 In order to protect the business plan and provide the same level of investment and services, any reduction in income will need to be off-set though increased efficiencies and reprioritisation of investment requirements across stock condition and/or development plans.
- 4.8 A review of current investment needs and priorities has been undertaken, based on updated surveys and inflation estimates. This includes assumptions on future liabilities, such as maintaining decent homes, fire programme, sustainability, planned works and improvements, cuts, and other requirements. These assumptions have been used to inform the resource need and identify potential gaps in funding and opportunities for additional income and grants. Work is continually ongoing to identify and update investment needs. As this work is completed and updated information becomes available, which includes the results of the damp and disrepair MOTs, the resource needs will be updated which may affect future requirements.
- 4.9 The plan also contains costs associated with the new build programme currently being implemented by the authority. Table A1 provides an illustration of the expected HRA budget for the next five years, which includes the current 4.1% rent increase estimates for 2022/23. The HRA debt cap which was imposed when the self-financing regime was implemented (£127.3m) has now been abolished. The HRA will now be subject to prudential borrowing rules (as per the General Fund).

**Table A1: Update on the HRA Business Plan**

HRA Income & Expenditure Estimates - 5 year Forecast	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
<b>Income</b>					
Rental income	(74.1)	(79.1)	(82.1)	(87.9)	(91.4)
Tenants service charge income	(6.6)	(6.7)	(6.8)	(6.9)	(7.0)

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Leasehold service charge income	(5.7)	(5.9)	(6.0)	(6.1)	(6.2)
Hostel charges and grant income	(1.4)	(1.4)	(1.4)	(1.5)	(1.5)
Major Works recoveries	(6.0)	(6.2)	(6.3)	(6.4)	(6.5)
Other income	(1.3)	(1.7)	(1.7)	(1.7)	(1.7)
Interest earned on balances	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
<b>Total Income</b>	<b>(95.2)</b>	<b>(101.1)</b>	<b>(104.4)</b>	<b>(110.6)</b>	<b>(114.4)</b>
<b>Expenditure</b>					
Management costs	38.5	40.6	41.4	43.3	44.4
Repairs & maintenance	15.7	15.9	16.1	16.3	16.5
PFI Costs	7.4	7.9	8.4	8.6	8.9
Interest & other finance costs	5.5	10.5	14.7	16.7	18.3
Depreciation	24.4	24.9	25.4	25.8	26.3
Revenue Contribution to Capital	2.9	0.7	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>94.4</b>	<b>100.5</b>	<b>106.0</b>	<b>110.7</b>	<b>114.4</b>
<b>Surplus/(deficit)</b>	<b>0.8</b>	<b>0.6</b>	<b>(1.6)</b>	<b>(0.1)</b>	<b>0.0</b>
Opening HRA reserves	7.2	8.0	8.6	7.0	6.9
Contribution to/(Drawdown) from reserves	0.8	0.6	(1.6)	(0.1)	0.0
<b>Closing HRA Reserves</b>	<b>8.0</b>	<b>8.6</b>	<b>7.0</b>	<b>6.9</b>	<b>6.9</b>

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<b>Forecast Capital Programme &amp; Funding</b>					
Capital programme (including decent Homes)	88.4	66.8	68.1	69.5	54.9
New Build construction & on-going costs	121.2	129.3	67.5	20.7	35.5
<b>Total Capital Expenditure</b>	<b>209.6</b>	<b>196.1</b>	<b>135.6</b>	<b>90.2</b>	<b>90.4</b>
<b>Capital Programme Funded By:</b>					
MRR Opening Balance	(0.1)	0.0	0.0	0.0	0.0
Revenue Contribution to Capital	(2.9)	(0.7)	0.0	0.0	0.0
Depreciation	(24.4)	(24.9)	(25.4)	(25.8)	(26.3)
GLA Grants	(40.2)	(15.8)	(19.2)	(13.5)	(15.3)
RTB Receipts	(9.1)	(13.5)	(4.4)	(0.1)	0.0
Sale Receipts	(3.5)	(1.1)	(16.9)	(20.7)	(0.4)
Other Receipts	(20.0)	0	0	0	0
Borrowing	(109.4)	(140.0)	(69.7)	(30.0)	(48.4)
<b>Total Capital Funding</b>	<b>(209.6)</b>	<b>(196.1)</b>	<b>(135.6)</b>	<b>(90.2)</b>	<b>(90.4)</b>
<b>Capital shortfall</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
HRA Actual Debt Level (Forecast)	192.0	332.0	401.8	431.8	480.0
HRA Self-financing Settlement Debt Level (was £127.3m)	n/a	n/a	n/a	n/a	n/a

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- 4.10 As can be seen from the above table, the expected total expenditure, before financing, for the HRA in 2022/23 is £304.0m, comprising £94.4m operational costs and £209.6m capital and new build costs.

### **Future Years' Forecast**

- 4.11 The key purpose of the proposed HRA budget is to ensure that there are sufficient resources to support lifecycle works, such as; repairs and maintenance, the Decent Homes programme and, a key priority for the current administration, delivery of new social homes in the borough.
- 4.12 There is an ongoing process to identify opportunities for efficiencies to deliver services for improved value for money and this is described in Appendix 1. Although no direct savings have been identified so far for 2022/23, any savings and efficiencies delivered against the HRA business model and future budgets can be re-invested to off-set constrained rent rises or to help bridge any investment gap identified. Discussions are ongoing to identify appropriate savings. For example, there is already an assumed reduction in the Lewisham Homes fee in 2022/23 to reflect stock losses through Right to Buy Sales.
- 4.13 Separate reports which set out in detail the proposals relating to service charges for Brockley and Lewisham Homes residents are attached at Appendix 3 and Appendix 4, respectively.

### Rental Income and allowances

- 4.14 Following completion of the legislative requirements for 4 years of rental contraction, Government have confirmed rents will return to the previous method of rent increase calculations for 2020/21 onwards. This is based on the previous formula rent calculation of CPI + 1%. This will be for a minimum 5 year period to financial year 2025/26. For the purpose of business and financial planning, it is assumed that that rental charges will be increased in line with this guidance.
- 4.15 At the present time, the financial models used by the council currently forecast future CPI to be 2.0% annually for the period 2023 to 2025 and would equate to an annual average increase of 3.0% to be applied to rents. It should be noted that any variation to the forecast CPI rate of 2% would affect the annual average forecasts stated above. For example a 0.5% movement in CPI would result in a £0.53pw change to the average rent increase.
- 4.16 CPI at September 2021 was 3.1%, therefore rents are expected to increase by 4.1% for 2022/23 (3.1% + 1%), and rise by CPI + 1% for at least the next 3 years to 2025, as per Government's policy for rent increases.
- 4.17 A 3.1% increase in average rents for 2022/23 will equate to an average increase of £4.07pw over a 52 week period. This will increase the full year average dwelling rent for the London Borough of Lewisham from £99.19 to £103.26 per week (pw). The proposed increase will result in additional income of £2.952m to the HRA when compared to 2021/22 income levels.
- 4.18 A rent rise higher than the rent limit calculation, set by Government, will result in additional recharges to the HRA via the Housing Benefit (HB) subsidy limitation charges. Any rise above this level will be lost through additional limitation recharges and therefore result in no benefit to the HRA.

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- 4.19 Tenants were asked to provide comments and feedback on the proposed rent changes and illustration for inclusion in the Mayor and Cabinet budget report at meetings held with Brockley PFI and Lewisham Homes tenants. Full details of residents feedback, additional comments received, minutes of meetings and the response to the additional comments received are contained in Appendix 2.
- 4.20 The main comments received from Lewisham Homes' residents concerning the proposals for rents and garages was that there are issues of affordability given the current pandemic and increase in unemployment. The main comments regarding service charges were questioning value for money as charges are increasing but service delivery is not improving.
- 4.21 Comments received from the RB3 Brockley residents were in a similar vein to the Lewisham Homes residents comments regarding affordability and value for money concerning the proposals for rents, garages and service charges.
- 4.22 Details of the options for the rent & service charge changes for 2022/23 were presented to the Housing Select Committee on 9<sup>th</sup> December 2021. The committee noted the contents of the report.
- 4.23 Having regard to the outcomes of the consultations held in November 2021 as set out above (and with more detail in Appendices 2, 3, and 4), the Mayor is asked to make a recommendation to full Council that a 4.1% rent increase be agreed as per the rent calculation formula. The new average rent for 2022/23 is likely to be in the region of £103.26pw, an increase of approximately £4.07pw from 2021/22 levels.

#### Other Associated Charges

- 4.24 There are a range of other associated charges. These include: garage rents, tenants levy, hostels, Linkline, private sector leasing, heating and hot water. These charges and any proposed changes to them for 2022/23 are set out in detail in Appendix 5.

#### Former Tenant Arrears Write Offs

- 4.25 The HRA self-financing of 2012 means that the Council now has considerably greater control over the long term planning of its Housing Revenue Account, and this longer term focus has allowed excellent progress to be made in delivering investment into new Council homes for the first time in 30 years.
- 4.26 As part of the annual review of the HRA and the setting of associated budgets, this long term focus also requires officers to review both the assumptions that underpin long term plans and the operational performance of delivering that plan. In that regard it is important for officers to consider at this time the likelihood of recovering all of the income to which the Council is due.
- 4.27 Lewisham Homes have improved the way its income collection processes work and has addressed the majority of historic arrears cases. The percentage of rent collected in 2020/21 was 98.69% and at the latest update, 99.04% had been collected in the current financial year. This high income collection rate strengthens the performance of the HRA and enables greater levels of investment for both existing residents and to build the new Council homes Lewisham so desperately needs.
- 4.28 However, there remains a limited number of historic bad debt cases in which Lewisham Homes, despite exhausting all possible options, has been unable to collect. In total there are 29 such cases, some of which date back more than a decade, which in total

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constitute outstanding arrears of £365,462.94. A summary of these cases is set out at Appendix 6. It is proposed that these are now written off.

## Summary

- 4.29 The gross budgeted expenditure for the HRA in 2022/23 is £304.0m, £94.4m revenue and £209.6m capital. Council is asked to approve a rent increase of 4.1% having considered tenant's feedback following consultation held in November 2021. The current average weekly rent is £99.19 in 2021/22. This will increase to £103.26pw in 2022/23.

## 5. HRA Capital Programme

- 5.1 In reviewing the overall HRA financial position the Capital Programme has to be considered to ensure that any revenue implications of capital decisions are taken into account in building the revenue budget. The HRA Capital Programme budget for 2022/23 to 2026/27 is proposed at £723.1m of which £209.6m is for 2022/23.
- 5.2 This section of the report is structured as follows:
- Update on the 2021/22 HRA Capital Programme;
  - Proposed HRA Capital Programme 2022/23 to 2024/25;

### Update on 2021/22 Capital Programme

- 5.3 Progress in delivering the 2021/22 Capital Programme has been reported to Mayor and Cabinet and the Public Accounts Select Committee throughout the year. The latest forecast projection for the HRA Capital programme was that there would be an under spend in the region of £21.8m. The cash flow for the development programme has been updated to reflect the revised P7 position and is currently forecast to spend in the region of £45.5m this financial year.
- 5.4 The forecast expenditure for the main capital programme is £57.8m or 73% of the overall programme allocation of £78.8m. Expenditure to date, at period 8 (November 2021), is £24.4m (31% of the programme). Budgets will be re-profiled accordingly. The final position on the general capital programme in 2020/21 was an underspend of £9.8m. The unspent resources were carried into 2021/22 and added to the £69m allocation.
- 5.5 The development team are currently reporting a forecast spend of £50.2m of which £45.5m relates to the Lewisham Homes managed HRA element of the development programme and £4.7m relates to the recently approved buyback programme managed by the Council's development team. Budgets will be re-profiled in period 9 accordingly and future year's budgets updated to match the slippage in the programme. Expenditure to date, at period 7 (October 2021) is £17.3m or 38% of the re-profiled Lewisham Homes programme.
- 5.6 The forecast under spends are in part, due to the impact of the Covid-19 pandemic where sites and works were paused at stages through the lockdowns of 2020 & 2021. In addition there have been labour and material shortages resulting from both the pandemic and also due to Brexit which have impacted on the pace of delivery. The Building for Lewisham programme and stock condition survey for the HRA capital programme are being reviewed. Delays in planned works will be rolled forward to future years and the plan updated to recover the delivery ambition.
- 5.7 The scale of the capital programme is growing in line with the Corporate Strategy priority for more homes. This is a significant and ambitious commitment and officers

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are working to improve their profiling of this work as schemes and timing of their delivery change, in light of challenges over the last 18 months. Regular reviews and, where required, re-profiling of the programme will be undertaken with Lewisham Homes, with the next review scheduled for early 2022.

- 5.8 Importantly substantial external funding has been secured to support the delivery of the BfL programme through our partnership work with the GLA, NHS and OPE.

### Current position on the HRA Capital Programme 2021/22

2021/22 Capital Programme	Budget (M&C Feb 2021)	Period 7/8 2021/22 Revised Profile	Spend to 31 Oct 2021	Spent to Date (Revised Profile)
			£m	%
<b>HOUSING REVENUE ACCOUNT</b>				
Building for Lewisham Programme (BfL)	78.0	50.2	17.3	35%
<b>Total BfL Programme</b>	<b>78.0</b>	<b>50.2</b>	<b>17.3</b>	<b>35%</b>
HRA Capital Programme ( Decent Works)	78.8*	57.8	20.3	35%
Housing Management System	1.3	1.3	0.0	0%
Other HRA schemes	3.6	6.5	0.5	8%
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>161.7</b>	<b>115.8</b>	<b>38.1</b>	<b>33%</b>

\* Includes £9.8m underspend carried forward from 2020/21

### Proposed HRA Capital Programme 2022/23 to 2026/27

- 5.9 The Council's proposed HRA Capital Programme for 2022/23 to 2026/27 is currently £723.1m, as set out in Table A2:

**Table A2: Proposed HRA Capital Programme for 2022/23 to 2026/27**

HOUSING REVENUE ACCOUNT	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	5 year Total
	£m	£m	£m	£m	£m	£m	£m
Building For Lewisham Programme (BfL)	50.2	121.2	129.3	67.5	20.7	35.5	250.5
<b>Total BfL Programme</b>	<b>50.2</b>	<b>121.2</b>	<b>129.3</b>	<b>67.5</b>	<b>20.7</b>	<b>35.5</b>	<b>374.2</b>
Decent Homes Programme	57.8	83.4	62.9	64.1	65.4	50.8	327.8
Housing Management System	1.3	1.2	0.0	0.0	0.0	0.0	1.2
Other Schemes	6.5	3.8	3.9	4.0	4.1	4.1	19.9
<b>TOTAL HRA PROGRAMME</b>	<b>115.8</b>	<b>209.6</b>	<b>196.1</b>	<b>135.6</b>	<b>90.2</b>	<b>90.4</b>	<b>723.1</b>

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5.10 The resources available to finance the proposed Capital Programme are as set out in Table A3 below:

**Table A3: Proposed HRA Capital Programme Resources for 2022/23 to 2026/27**

	21/22	22/23	23/24	24/25	2/526	26/27	5 Year Total
	£m	£m	£m	£m	£m	£m	£m
<b>Housing Revenue Account</b>							
Prudential Borrowing	26.1	109.4	140.0	69.7	30.0	48.4	<b>397.5</b>
Grants	3.0	40.2	15.8	19.2	13.5	15.3	<b>104.0</b>
RTB Receipts	0.7	9.1	13.5	4.4	0.1	0.0	<b>27.1</b>
Sale Receipts	0.0	3.5	1.1	16.9	20.7	0.4	<b>42.6</b>
Other Receipts	0.0	20.0	0.0	0.0	0.0	0.0	<b>20.0</b>
Reserves / Revenue / MRR	86.0	27.4	25.7	25.4	25.9	26.3	<b>131.9</b>
<b>Total HRA Resources</b>	<b>115.8</b>	<b>209.6</b>	<b>196.1</b>	<b>135.6</b>	<b>90.2</b>	<b>90.4</b>	<b>723.1</b>

- 5.11 Detailed proposals, specific scheme funding arrangements, and procurement approach will be brought forward to Members for decision as individual projects are worked up and brought forward. Should this lead to changes being required to the plan these will be reported as part of the regular monitoring information provided and budgets re-profiled accordingly.
- 5.12 Members will also note the significant proposed rise in prudential borrowing of £373.8m, primarily to fund the Building for Lewisham Capital plans.
- 5.13 The HRA Capital Programme will be further updated to include future grants, once these are known and will also include the year-end outturn expenditure and resourcing. This is expected to be reported to Members before the summer recess and will not impact on delivery of the Programme for 2022/23.

### **HRA Capital Programme**

- 5.14 Lewisham Homes are responsible for ensuring council owned stock under their management is brought up to and maintained to a decent homes level, covering both internal and external works. Lewisham Homes are leading on the delivery of the decent programme (under delegated powers) in consultation and agreement with the Council. This needs to incorporate fire safety works and the priorities on stock condition identified in 2020/21.
- 5.15 The results of the stock condition survey, together with the requirements for fire related works, sustainability and health and safety works are all included within the updated HRA financial model. This shows that for the 30 year period from 2020/21 a total investment of £967.5m (before inflation & fees) is required. This includes £633.8m related to the stock condition survey results.

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- 5.16.1 Following on from recent issues highlighted, an action plan has been developed to manage the problems related to damp and disrepair. These include undertaking property MOT's, to fully identify damp & disrepair within the Councils stock managed by Lewisham Homes with the target of completing 1,000 MOT's by the end of March 2022.
- 5.16.2 Lewisham Homes are also conducting urgent reviews and physical inspections of every property on their damp and disrepair logs.
- 5.16.3 Once the results of the MOT's/surveys are known, repairs and follow-up actions will be taken to resolve the issues. This may require the allocation of additional resources of up to £1.0m which are not currently forecast within the current HRA budget allocations. Discussions are on-going with Lewisham Homes on how to fund this request.
- 5.16.4 The current stock condition survey shows that 2,400 properties have been identified as suffering from some degree of damp in the stock condition survey,
- 5.16.5 Lewisham Homes are undertaking face to face, briefings with all DLO operatives and supervisors on reporting poor conditions and safeguarding, where it is being emphasised that not reporting is a failure in their duty of care. This is also being raised in contract meetings with external contractors and making it a standard performance monitoring agenda item.
- 5.16.6 A review of all repair orders is being carried out to identify inter-property leak cases. Lewisham Homes will be undertaking calls and visits to check problems are resolved. They will also be ensuring decorative damage and making good is carried out as required.
- 5.16.7 A detailed formal action plan is being developed, and, subject to agreement, the action plan will be populated with timescales and targets for the deliverables and improvements. This plan will be monitored and formally reported against to the Lewisham Homes board and the council.

### **Building for Lewisham Programme update**

- 5.16 The Building for Lewisham (BfL) programme supersedes the Housing Matters Programme. In January 2020, the Mayor and Cabinet approved recommendations to advance and expand the Council's housebuilding programme to meet the corporate objectives set for the period between 2018 and 2022.
- 5.17 The BfL programme will deliver a significant proportion of new council housing for the borough. In addition, funding for feasibility and preparation of planning and tender information for major strategic projects at Ladywell, Achilles Street Estate and Catford has been allocated; as well as funding for wider feasibility studies for sites across the borough.
- 5.18 The Council, via its development agent, Lewisham Homes, is also investigating acquisition opportunities on land and sites from the market. These schemes may offer an opportunity to deliver more homes on an expedited timescale.
- 5.19 The current consolidation of the HRA element of the BfL programme notes funding for 1,322 new homes across a mix of tenures. This has been modelled over a 40 year period and has been inflation-adjusted accordingly. However, the assumptions used in this report represent an over-programming of developments and not all developments modelled will necessarily come forward. Therefore, this represents the most budget-intensive scenario. The financial and programme risk associated with the BfL programme will be monitored closely and mitigations implemented accordingly. Should any material changes to this budget be required, approval from Members will be

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sought. It should be noted that any new homes funded through the General Fund are not included in these figures. It should also be noted that 199 social homes have been completed since 2018 with a further 779 forecast to complete or be under construction by the end of this financial year. This means that 978 social homes will be complete and under construction in the 2018-22 period.

The table A3 below shows the schemes within the HRA BfL programme as at September 2021

**Table A3: Current HRA BfL Programme (September 2021)**

	No. of Units	Total Scheme Cost	Sales & Grant Income	Borrowing	NPV
		£m	£m	£m	£m
Complete / On Site	228	87.49	-29.70	57.80	-3.91
M&C approved BfL Programme schemes in design/planning	242	92.92	-31.05	61.87	-6.29
M&C approved pipeline schemes	550	238.03	-131.43	106.60	-7.25
Council pipeline schemes pending M&C approval	302	114.37	-62.03	52.33	-3.90
<b>Total</b>	<b>1,322</b>	<b>532.80</b>	<b>-254.21</b>	<b>278.60</b>	<b>-21.35</b>

**Breakdown of Homes to be delivered**

Social Rent & London Affordable Rent	890	67.32%
Shared Ownership	328	24.81%
Sale	104	7.87%
<b>Total</b>	<b>1,322</b>	

- 5.20 The paragraphs below set out a descriptive overview of the key delivery objectives of the some of the HRA capital programme major projects contained within the HRA BfL programme

Ladywell Leisure Centre Development Site

- 5.21 This mixed-use development will see approximately 106 new homes come forward in addition to the 24 homes that are in the PLACE building. The Council, through Lewisham Homes, will directly deliver these new homes.

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### Achillies Street

- 5.22 Residents on the Achilles Street Estate have voted for the redevelopment of the estate to go ahead. Work is underway to carry out due diligence and the design team has been appointed with estate residents. The design process is underway. The scheme will deliver new homes for all existing residents as well as a significant number of new council owned homes for social rent.

### Creekside Development

- 5.23 The scheme is under construction and will deliver 56 homes (22 London Affordable Rent and 34 Shared Ownership homes) as well as commercial uses at ground floor. The scheme is due to complete in September 2022.

### Buy Back Programme

- 5.24 The proposal is to purchase 100 homes, with a focus on buying back ex-council homes but will include private properties where appropriate. The buyback programme was approved by Mayor and Cabinet in November and will run from November 2021 to March 2023.

## **6. Consultation on the budget**

- 6.1 In setting the various budgets, it is important to have extensive engagement with citizens to consider the overarching challenge facing public services in Lewisham over the next few years. To this end, the Council has undertaken a range of engagement and specific consultation exercises. The specific consultation exercises for the HRA was:

### Rent Setting and Housing Panel

- 6.2 As in previous years, tenants' consultation was undertaken via Housing Panel meetings. This provided tenant representatives of Lewisham Homes with an opportunity on 24<sup>th</sup> November 2021 at the joint Housing Panel meeting to consider the positions and to feedback any views to Mayor & Cabinet. Tenant representatives of Brockley convened their Brockley Residents' Board on 10<sup>th</sup> November 2021 to hear the proposals and fed back.
- 6.3 Details of comments from the residents' meetings have been set out in Appendix X2 and X3.

## **7. Financial implications**

- 7.1 This entire report deals with the Council's Budget. Therefore, the financial implications are explained throughout.

## **8. Legal implications**

### Housing Revenue Account

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- 8.1 Section 24 of the Housing Act 1985 provides that a local authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Council must review rents from time to time and make such charges as circumstances require.
- 8.2 Under the Local Government and Housing Act 1989, the Council is obliged to maintain a separate HRA (Section 74) and by Section 76 must prevent a debit balance on that account. Rents must therefore be set to avoid such a debit.
- 8.3 By Schedule 4 of the same Act where benefits or amenities arising out of a housing authority functions are provided for persons housed by the authority but are shared by the community, the Authority must make such contribution to the HRA from their other revenues to properly reflect the community's share of the benefits/amenities.
- 8.4 The process for varying the terms of a secure tenancy is set out in Sections 102 and 103 of the Housing Act 1985. It requires the Council to serve notice of variation at least four weeks before the effective date; the provision of sufficient information to explain the variation; and an opportunity for the tenant to serve a Notice to Quit ending their tenancy.
- 8.5 Where the outcome of the rent setting process involves significant changes to housing management practice or policy, further consultation may be required with the tenants' affected in accordance with section 105 of the Housing Act 1985.
- 8.6 Part 7 of the Localism Act 2011 abolished HRA subsidy and moved to a system of self financing in which Councils are allowed to keep the rents received locally to support their housing stock. Section 174 of the same Act provides for agreements between the Secretary of State and Councils to allow Councils not to have to pay a proportion of their capital receipts to the Secretary of State if he/she approves the purpose to which it would be put.

## 9. Equalities implications

- 9.1 The Equality Act 2010 (the Act) introduced the public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

In summary, the Council must, in the exercise of its functions, have due regard to the need to:

eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

advance equality of opportunity between people who share a protected characteristic and those who do not.

foster good relations between people who share a protected characteristic and those who do not.

- 9.2 The duty continues to be a "have regard duty", and the weight to be attached to it is a matter for the Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which the Council can demonstrate that they have had 'due regard'.
- 9.3 The Equality and Human Rights Commission issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services,

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Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with services and public functions. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>

- 9.4 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
  2. Meeting the equality duty in policy and decision-making
  3. Engagement and the equality duty
  4. Equality objectives and the equality duty
  5. Equality information and the equality duty
- 9.5 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties, and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>
- 9.6 The EHRC has also issued Guidance entitled “Making Fair Financial Decisions”. It appears at Appendix Y9 and attention is drawn to its contents.
- 9.7 Assessing impact on equality is not an end to itself and it should be tailored to, and be proportionate to, the decision being made. Whether it is proportionate for the Council to conduct an Equalities Analysis Assessment of the impact on equality of a financial decision or not depends on its relevance to the Authority’s particular function and its likely impact on people from protected groups, including staff.
- 9.8 Where proposals are anticipated to have an impact on staffing levels, it will be subject to consultation as stipulated within the Council’s Employment/Change Management policies, and services will be required to undertake an Equalities Analysis Assessment (EAA) as part of their restructuring process.
- 9.9 It is also important to note that the Council is subject to the Human Rights Act, and should therefore, also consider the potential impact their particular decisions could have on human rights. Where particular cuts have such implications, they must be dealt with and considered in relation to those particular proposals before any final decision is made.

## **10. Climate change and environmental implications**

- 10.1 Section 40 of the Natural Environment and Rural Communities Act 2006 states that: ‘every public authority must, in exercising its functions, have regard, so far as is consistent with the proper exercise of those functions, to the purpose of conserving biodiversity’.
- 10.2 Overall there are limited changes to the budget structure and service funded either from agreed reductions or pressures funded. The environment considerations for any cuts were specifically considered as part of those proposals agreed by M&C. The

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environment considerations for the pressures to be funded in 2021/22, for example air quality, home energy, and healthier neighbourhood initiatives are positive.

## 11. Crime and disorder implications

- 11.1 Section 17 of the Crime and Disorder Act 1998 requires the Council when it exercises its functions to have regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.
- 11.2 There are no specific crime and disorder implications arising from this report.

## 12. Health and wellbeing implications

- 12.1 There are no specific health and well being implications arising from this report.

## 13. Report author and contact

Kathy Freemenn – Director for Corporate Resources [kathy.freeman@lewisham.gov.uk](mailto:kathy.freeman@lewisham.gov.uk)

Jennifer Daothong - Executive Director Housing, Regeneration and Public Realm  
[jennifer.daothong@lewisham.gov.uk](mailto:jennifer.daothong@lewisham.gov.uk)

Financial implications on behalf of the Executive Director for Corporate Resources were provided by the report authors.

Legal implications on behalf of the Monitoring Officer were provided by Katherine Kazantzis.

## 14. Appendices

- X1 Proposed Housing Revenue Account Savings 2022/23
- X2 Leasehold and Tenants charges consultation 2022/23 Responses
- X3 Leasehold and Tenants Charges 2022/23 Regenter (Brockley)
- X4 Leasehold and Tenants Charges 2022/23 Lewisham Homes
- X5 Garage Rent Increase Report 2022/23
- X6 Other Associated Housing Charges for 2022/23
- X7 Write-Off Requests

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