



Report to Safer and Stronger Communities Scrutiny & Policy Development Committee

Report of: Executive Director, Communities

Subject: The Housing Revenue Account (HRA) Business Plan Update 2015/16

Author of Report: Liam Duggan, HRA Business Plan Team Manager, 30240

Summary:

This report provides an overview of some of the recent developments affecting the HRA Business Plan and some of the considerations for the business plan update 2015/16.

The HRA Business Plan sets out how all aspects of council housing will be funded from income (predominately rents) the Local Authority is able to generate in its capacity as landlord. It sets budgets for the coming year and provides a 5 year plan in the context of a 30 year affordability profile.

Type of item: The report author should tick the appropriate box

Reviewing of existing policy	x
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Community Assembly request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	x
Other	

The Scrutiny Committee is being asked to:

The Safer and Stronger Communities Scrutiny & Policy Development Committee is asked to discuss and provide feedback on the business plan update and considerations for 2015/16.

Background Papers:

Report to Cabinet, *Housing Revenue Account (HRA) Business Plan Update, HRA Budget and Rent Increase 2014/15*, 15th January 2014

<http://sheffielddemocracy.moderngov.co.uk/ielIssueDetails.aspx?IId=12818&PlanId=0&Opt=3#A17171>

Report to Cabinet, *Housing Revenue Account (HRA) Business Plan Update, HRA Budget and Rent Increase 2013/14*, 16th January 2013

<http://sheffielddemocracy.moderngov.co.uk/ieDecisionDetails.aspx?ID=791>

Report to Cabinet, *Housing Revenue Account Business Plan 2012-17*, 25th January 2012

<http://sheffielddemocracy.moderngov.co.uk/CeListDocuments.aspx?MID=3748&RD=Agenda&DF=25%2f01%2f2012&A=1&R=0>

Category of Report: ~~OPEN/CLOSED~~

Report of the Director of Communities

The Housing Revenue Account (HRA) Business Plan 2015/16

1. Summary

- 1.1 This report provides an overview of the recent developments for each section of the HRA Business Plan and some of the considerations for the business plan update 2015/16.
- 1.2 The HRA Business Plan sets out how all aspects of council housing will be funded from income (predominately rent) the Local Authority is able to generate in its capacity as landlord. It sets budgets for the coming year and provides a 5 year plan in the context of a 30 year affordability profile.
- 1.3 The HRA Business Plan is divided into 6 key chapters:-
- a) Income
 - b) Homes
 - c) Tenant Services
 - d) Debt and Treasury Management
 - e) Value for Money
- 1.4 Sections 2-6 of this report provide an update on key developments in 2014/15 for each business plan chapter.

2. Income

Guidance for Rents in Social Housing

- 2.1 In May 2014, Government issued Guidance for Rents in Social Housing which sets out the Government's policy on rents for social housing from April 2015 onwards. This new guidance includes the following key elements:
- Social rents to continue to be set using existing formula which takes into account property value, bedroom number and regional earnings
 - Rents in the social sector to increase by the Consumer Price Index (CPI) + up to 1 percentage point annually for ten years, confirming the end of rent restructuring which was signalled last year. Prior to this change, rents in the social sector increased using the Retail Price Index (RPI) + 0.5 percentage point and up to £2.
 - Guidance on Affordable Rents which were introduced by the Government at the 2010 spending review. It is the Government expectation that the majority of existing rented properties in the social sector will continue to be let at social rent (rents set using a 'formula' rent based on a combination of the relative value of the property, relative local earning levels and size of the property); and the majority of new properties will continue to be let at Affordable Rent (rent can of up to 80% of the market/ private rent for equivalent property in that area).
 - Confirmation that Government does *not* expect local authorities to adhere to its social rent policy expectations in relation to social

tenants with high incomes (an annual income of £60,000) and instead encourages landlords to charge such tenants the full market rent.

Housing Related Support

- 2.2 Housing Related Support has been a source of non-HRA funding for services that help to provide support and care to vulnerable tenants. In 2014, the Council made a decision that Housing Related Support funding for long term support could no longer be afforded. This impacts on the Council's Sheltered Housing, Temporary Accommodation and High Support services.
- 2.3 A new charging structure for Sheltered Accommodation has been developed which is intended to be cash neutral to the HRA and so allow current service levels to continue without resulting in an increase in the overall service charge. However tenants eligible for Housing Benefit will have more to pay than before because the warden and city wide care alarm services, which are integral to Sheltered Housing, are not eligible for Housing Benefit.
- 2.4 Housing Related Support reductions are planned to be accommodated by the High Support service in the short term by efficiency savings and HRA subsidy. A review is being undertaken in 2014/15 to agree a funding model from 2016/17 onwards.

Right to Buy Receipt Income

- 2.5 Forecasts of Right to Buy sales have been updated with a peak of sales forecast in 2015/16 because of changes to the Right to Buy scheme (bigger discounts/ lower qualifying criteria) and an improving housing market.

3. Homes

Investment Programme

- 3.1 The 5 year investment programme is on track to deliver its key commitments including:-
- Addressing 90% existing and emerging heating backlog by March 2017
 - All higher priority roofs to be addressed by March 2019
 - Replacement kitchen, bathrooms, windows and doors for 7,000 of 12,800 homes still needing some work by March 2019
 - Refurbishment of communal areas to all 12,000 low rise flats by March 2019

Stock Increase

- 3.2 The Council has made a commitment to optimise the use of the HRA to deliver the maximum number of new/ additional council homes possible. In 2014/15 progress has been made towards the delivery of at least 600 homes over 6 years as follows:

- Transfer ongoing of 30 purchased properties from Sheffield Housing Company
- Sites identified for 83 new Council-built homes which are due to be completed in 2015/16 and 2016/17.
- The development of a strategy which will set out how the Council will acquire high numbers of homes in the coming years on the open market.

4. Tenant Services

Income Management

4.1 Income Management has been a key area of investment in recent years with a particular focus in the following areas:-

- Additional staff to help with preventative and arrears work, to visit affected tenants and support Discretionary Housing Payments (DHPs)
- Train staff on welfare reforms
- Alternative payment options such as direct debit and jam jar accounts (bank accounts which include a money management function that allows tenants to divide their money into 'jars' for different purposes e.g. paying bills, and in doing so helps with budgeting)
- Hardship Fund to support tenants affected by under-occupancy rules/ bedroom tax

Best Use of Homes

4.2 Rehousing - improvements to the re-housing process include the review of the Lettings Policy and a Choice Based Lettings (CBL) system. Work to complete the implementation of the new Lettings Policy began in April 2014 and the CBL system has been operation since October 2013 with benefits being realised in terms of increased self-service, reduced calls to request bids and a reduction in refusals.

4.3 Tenancy Sustainment - The 'Successful Tenancies' project ended in June 2014 having delivered three joined up services pilots which focused on improving the sustainability of tenancies over the long term by linking up support services to more effectively prevent tenancies failing. The three pilots included young people in Gleadless Valley and Families in Foxhill and Brushes/ Wincobank). The outcomes and learning from the Successful Tenancies project have helped to inform the development of Housing Plus.

4.4 Housing Plus - The Housing Plus project was approved by Cabinet in March 2014. Implementation costs of up to £2.5m are expected in 2015/16 and 2016/17 for project implementation, ICT, training and equipment. Net savings of £500k/ annum are anticipated within 4 years of implementation from vacant repairs, responsive repairs, non-staff costs, staffing costs, rent arrears and accommodation. This will positively impact on the long term financial outlook of the plan.

Invest to Save on Estate Services

- 4.5 Green and Open Space – On the 15th October Cabinet agreed proposals for the delivery of housing grounds maintenance to be undertaken by a single service. This involves the integration of some Council Housing Estate Officers into the Parks service. This will offer the opportunity to deliver around £37k HRA plus £5k General Fund savings for Council Housing from better efficiency from vehicles, green waste and tipping, plus increased management capacity for the housing service. Additional savings are also anticipated between 2016/17 – 2018/19 as additional efficiencies emerge as a result of the new integrated service.
- 4.6 Co-ordinated Approach to Fly-tipping – Waste education and enforcement officers are currently being recruited to. These will be funded from Bulky Waste savings which are being realised as planned.

5. Debt and Treasury Management

Loan Portfolio

- 5.1 The HRA currently supports a Capital Financing Requirement of £350m. The proportion of this debt subject to interest rate fluctuation has reduced from 60% in 2011/12 to 38% in 2014. This has reduced the HRA's exposure to interest rate risk.

Borrowing Capacity

- 5.2 The Government debt cap limits the amount of borrowing the HRA can undertake. As the delivery of new/ replacement council homes will need to be funded from borrowing, the debt cap becomes a more important factor for consideration as the number of planned units increases.
- 5.3 The refinancing of newly maturing loans for stock increase will be a feature of the HRA's debt strategy in the coming years although choosing the appropriate timing of borrowing (through the use of reserves) to meet its plans whilst mitigating the risk of refinancing at a time of rising interest rates, will also be key.
- 5.4 The 'Allowable Debt' element of the Right to Buy receipt should be retained to repay debt associated with lost units (or offset additional borrowing for new units).

6. Value for Money

Business Plan Efficiencies

- 6.1 The 2012 HRA Business Plan set a target to achieve efficiency savings in 2012/13 and beyond on the 'support costs' of Sheffield Homes and the Council. The target was for a reduction in costs of £784k from Sheffield Homes and of £619k from the City Council by 2015/16.
- 6.2 By 2013/14 at least £800k/ annum has been saved from the Council Housing Service support functions and for non-Council Housing Service

support costs, spend in 2013/14 was £917k less than the 2012/13 budget.

Future of Council Housing Savings

- 6.3 In 2013/14 £1.2m efficiency savings were built into the business plan as a result of the Future of Council Housing integration (the integration of the Sheffield Homes ALMO into the City Council). Around 90% of these savings have been built into budgets so far.

Repairs and Maintenance Contract

- 6.4 The efficiencies required of the repairs contract procurement will be built into the 2015/16 and 2016/17 budgets. These are expected to be comfortably realised. Further savings will be sought from repairs in future years as a consequence of the ongoing investment in boilers and roofs, and from the kitchen and bathroom investment which is now being made to vacant properties not meeting the Sheffield standard.

Cost Pressure

- 6.5 Cost pressures to the business plan include areas such insurance liabilities and council tax payments.

7. Considerations for 2015/16

Stock Increase

- 7.1 The 2014/15 business plan made a commitment to deliver 600 new/ additional council homes over a 6 year period.
- 7.2 Changes to the Right to Buy policy by Government, including improved discounts to tenants, have resulted in an increased number of tenants buying their council home and a reduction in the forecasted number of Council homes in the future. Increasing the delivery of new / replacement council housing is widely supported tenants. However any significant increase in the delivery of new units would require additional funding.

Garages

- 7.3 A lack of investment in garages has led to increasingly poor condition of Council garages and garage sites. Increasing vacant rent loss will have a damaging impact on the plan if this decline is not arrested.
- 7.4 A business case has been prepared for a capital investment in garages of around £3.3m (demolition and refurbishment) over a 3 year period plus repairs and management costs. This would provide for the refurbishment of 3,402 garages and the demolition of 1,291 garages and garages sites. Demolition is proposed where it is anticipated that with refurbishment costs garages would not be self-financing over 15 years.

Photovoltaics (PVs)

- 7.5 Photovoltaics (PV) or Solar Panels are a method of generating electricity via sunlight. PV panels convert the sunlight directly into energy, which can then benefit householders by providing cheap energy to be used in their homes. The invite to tender for the HRA roofing contracts included an option for the installation of PV systems as part of the same contract.
- 7.6 There are a number of risks and housing management issues with this option being pursued and a cost benefit analysis has not yet been undertaken but one of the key points is likely to be whether the HRA would have the borrowing capacity to fund this.

Going Local

- 7.7 Going Local is an allocated budget that each council housing area receives to be spent on things that are important to tenants within their local area. The 2014/15 business plan makes a commitment to review Going Local in 2014/15.
- 7.8 The purpose of the review is to:
1. Retain local discretion to fund activity which is important locally and does not need a major procurement
 2. Improve value for money by channelling works through major contracts
 3. Improve speed of purchasing by having more clearly defined budgets
- 7.9 The proposal is:-
1. The £200k Going Local budget reserved for communal areas is transferred to the investment programme.
 2. A new Maintenance allowance of £70k (from repairs allocated to local area teams to prioritise.
 3. An Area Allowance of £170k is allocated to local area teams
- 7.10 The proposal ensures that overall the amount of money available to each housing area is maintained.

8. Tenant Feedback

- 8.1 Tenants have the opportunity to provide feedback on the business plan during 2014/15 via the Local Area Housing Forums (LAHF) and Estate Services and Investment Forums (ESIF) as follows:

North LAHF	1 October	Central LAHF	14 October
North West LAHF	2 October	South East ESIF	2 November
Sheltered LAHF	8 October	Leaseholder ESIF	11 November
South West LAHF	14 October	East ESIF	14 November

- 8.2 A summary of the feedback from these groups is set out in the Appendix.

9. What does this mean for the people of Sheffield?

9.1 This Council owns approximately 40,500 homes that are home to around 47,400 people as tenants. In addition, approximately 2,256 leaseholders also receive housing services from the Council.

9.2 The HRA is a statutory account that includes the resources that provide council housing services to tenants. It is the Council's current and future tenants and leaseholders who will be affected by the ongoing choices that are made in the HRA Business Plan.

9.3 One of the aims of the business plan update is to assure the long term sustainability of council housing as a vital service for Sheffield people. The foundation of the HRA Business Plan is to ensure that council homes are occupied because letting homes generates the rental income which funds all aspects of council housing.

10. Recommendation

10.1 The Safer and Stronger Communities Scrutiny & Policy Development Committee is asked to discuss and provide feedback on the business plan update and considerations for 2015/16.

Appendix: Tenant and leaseholder feedback for the 2015/16 review

Proposal	Comments/Feedback
Stock Increase	<ul style="list-style-type: none"> • Consensus is that this continues to be a high priority for tenants. • Several queries in relation to Right to Buy and the number of homes being lost as a result. • Concerns about new build property being at risk of Right to Buy • Concerns acquisitions of ex right to buy/council properties that had been previously sold at the maximum discount – SCC then having to pay more for them in order to buy back. • Queries in relation to where and what type of properties were being considered as part of the acquisition strategy –would they be former council homes? • There is a shortage of 4 bed council properties across the city and purchasing these on the open market would be difficult / unaffordable if then letting at a social or sub rent? Also linking this to Welfare Reform and the benefit cap – how will tenants in 4 bed properties pay their rent? • Some concerns over tenants purchasing their council home via Right to Buy at a maximum discount and then selling it back in order to make a profit. Concerns this ends up costing the Council more to buy it back. • Concerns that there seem to be a number of vacant properties (boarded up) that rental income is being lost on. Are there any plans for these being let out? If we are looking at increasing the council stock, should we not look at the vacants that we are losing rental income from? (Shirecliffe, Foxhill, Parson Cross, Pitsmoor)
Garages	<ul style="list-style-type: none"> • Agreement that garages did require investment, but some concern there may be a lack of demand due to affordability of garage rents • Some garages did require demolishing as were becoming a safety hazard e.g. trees growing from them, children playing on them etc. • Acknowledgement that rents would need to be affordable but would be able to cover the cost of the maintenance of garages following investment
Photovoltaics (PVs)	<ul style="list-style-type: none"> • How would the cost of installing PV be met? • How do PVs benefit the householder? How is heating generated? • If surpluses are made, who will get these? Sheffield City Council, the Government, the householder? • Would tenants whose property had PVs installed have to pay an increase rent for this in order for SCC to recuperate the costs of installing/maintain them? • Has there yet been any consideration as to where these would be installed e.g. individual houses or block of flats? Certain roofing types? Etc. • How would this affect leaseholders in flats? • Do we have any numbers for this yet? • Is there any links being made as part of this with University of Sheffield (Solar Farms) or with any private contractors? • This is the future and is something we should be investing in • Payment of Income Support takes account of gas and electricity bills so any benefit from PV could just be taken off tenants in the form of reduced income
Going Local	<ul style="list-style-type: none"> • Concerns that areas would be worse off and areas would receive a smaller pot of money due to an increase in the number of areas for this to be divided between as a result of Housing Plus (increase from 7 areas including Sheltered to 9 areas) • Tenants had difficulty following the proposals and wanted them to be clearer and easier to understand • How would Local Area Housing Forums have more involvement in the decisions relating to the investment side of things? A clear process and clear future timescales would be required in order to be able to make decisions in a timely way- suggest this could be done <i>in advance</i> of the financial year in question • Why is residual levy money being included as part of the Going Local budgets? • Going Local investment affects leaseholders too so need to be mindful of that impact and any potential costs before approving investment • The Going Local budget shouldn't have been reduced in 2012 because there was

	<p>sufficient money in the investment programme for heating renewal</p> <ul style="list-style-type: none"> • The consultative budget is required as core funding for some TARAs
Other	<ul style="list-style-type: none"> • Would it not save money if skips were provided in areas where we are suffering from a lot of fly-tipping? Would this not save on fly-tipping costs? • What is meant by communal areas? Does it include any outside communal space? • Green and Open Space/ Estate Services – is this reducing the costs and providing the same level of service? • Education and Enforcement pilots (Lansdowne) where these have been successful and seen improvements and reductions in fly-tipping, concerns that as soon as these pilots are withdrawn or changes made i.e. staff levels, that this success will not continue. • Burglar alarms – not everyone wants one • The debt repayment for the 5 year profile of the business plan - is the plan to keep this line horizontal (refinance) or do we want to reduce it (repay debt)? • Will the Green Open Space proposals benefit General Fund as well as HRA? • Bring out your rubbish days are a good way of reducing fly tipping • When is the new Burglar Alarms contract going to go live and the fee amended?

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