FORM 2

SHEFFIELD CITY COUNCIL

Cabinet Report

Report of:	Executive Director, Communities Executive Director, Place Executive Director, Resources
Report to:	Cabinet
Date:	14th January 2015
Subject:	Housing Revenue Account (HRA) Business Plan, HRA Budget and Rent Increase 2015/16
Author of Report:	Liam Duggan
Key Decision:	YES
Reason Key Decision:	Expenditure/savings over £500,000 Affects 2 or more wards

Summary:

This report provides the 2015/16 update to the Housing Revenue Account (HRA) Business Plan. It includes new proposals to:-

- build or buy 1,000 council homes by 2019/20 helping more Sheffield people access good quality affordable housing – and bringing into Sheffield £2m of national funding;
- increase the support we give to tenants by putting in place a new local approach to housing and neighbourhood management;
- pursue the option of installing up to 6,000 photovoltaic (PV) panels on council housing roofs as part of the new roofing contract - bringing in over £30m of subsidies from energy companies to offset costs, more than doubling the PV capacity of the city, creating or maintaining 250 jobs, and reducing tenants' energy bills;
- invest in 3,400 Council-owned garages and garage sites to improve standards for tenants, make garages more economically viable, and prepare some sites for new council housing development;
- increase the size of the core 5 year investment programme to £330m– protecting or maintaining 350 jobs

This report also presents the 2015/16 revenue budget for the HRA.

A separate report on the Capital Programme, which includes the Council Housing Investment programme 2015/16, will be discussed by Cabinet on 11th February 2015. This will include details of the Council's funded capital investment plan for council housing which complement the service and financial plans for the HRA in this report.

The rent increase for 2015/16 continues to be set in line with Government guidance.

Reasons for Recommendations:

To optimise the number of good quality affordable council homes in the City.

To make neighbourhoods safer, more attractive places to live through continued investment in Sheffield's council housing and estates.

To enable tenants to live independently and well in their own home by providing the support they need when they need it.

To help tenants deal with a challenging economic climate and remain warm in their homes by ensuring energy bills are as low as possible.

To maximise the financial resources to deliver key outcomes for tenants and the City in the context of a self-financing funding regime.

To assure the long term sustainability of council housing in Sheffield.

Recommendations:

It is recommended that Cabinet recommends to the meeting of the City Council on 4th February 2015 that:

1. The HRA Business Plan report for 2015/16 as set out in Appendix A to this report is approved
2. The HRA Revenue Budget for 2015/16 as set out in Appendix B to this report is approved
3. Rents for Council dwellings are increased by 2.2% from April 2015
4. Rents for garages and garage sites are frozen at 2014/15 levels and not increased from April 2015
5. Community Heating charges are not increased from April 2015
6. The burglar alarm charge which is due to be amended during 2014/15 following a procurement is not increased from April 2015
7. The Sheltered Housing service charge which is due to be amended during 2014/15 is not increased from April 2015
8. Charges for temporary accommodation and furnished accommodation are not increased
9. The Director of Commissioning, Communities and the Director of Finance, in consultation with the Cabinet Member for Homes and Neighbourhoods, be

granted delegated authority to authorise prudential borrowing as allowed under current government guidelines

10. That the specific projects proposed in this report will be brought forward for member approval in accordance with the Council's Capital Approval process as business cases are developed

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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/ieIssueDetails.aspx?IId=12818&PlanId=0&Opt=3#AI7171

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**

Statutory and Council Policy Checklist

Financial Implications
Yes Cleared by: Karen Jones
Legal Implications
Yes Cleared by: Andrea Simpson
Equality of Opportunity Implications
Yes Cleared by: Phil Reid
Tackling Health Inequalities Implications
NO
Human Rights Implications
YES
Environmental and Sustainability implications
YES
Economic Impact
NO
Community Safety Implications
NO
Human Resources Implications
YES
Property Implications
NO
Area(s) Affected
All areas
Relevant Cabinet Portfolio Lead
Cabinet Member for Homes and Neighbourhoods Cabinet Member for Finance and Resources
Relevant Scrutiny Committee
Safer and Stronger Communities Scrutiny and Policy Development Committee
Is the item a matter which is reserved for approval by the City Council?
YES
Press Release
YES

REPORT TO CABINET

HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN, REVENUE BUDGET AND RENT INCREASE 2015/16

1.0 SUMMARY

1.1 This report provides the 2015/16 update to the Housing Revenue Account (HRA) Business Plan. It includes proposals to

- build or buy 1,000 council homes by 2019/20 helping more Sheffield people access good quality affordable housing – and bringing into Sheffield £2m of national funding;
- increase the support we give to tenants by putting in place a new local approach to housing and neighbourhood management;
- pursue the option of installing up to 6,000 photovoltaic (PV) panels on council housing roofs as part of the new roofing contract - bringing in over £30m of subsidies from energy companies to offset costs, more than doubling the PV capacity of the city, creating or maintaining 250 jobs, and reducing tenants' energy bills;
- invest in 3,400 Council-owned garages and garage sites to improve standards for tenants, make garages more economically viable, and prepare some sites for new council housing development;
- increase the size of the core 5 year investment programme to £330m– protecting or maintaining 350 jobs

1.2 This report also presents a 2015/16 revenue budget for the HRA.

1.3 A separate report on the Capital Programme, which includes the Council Housing Investment programme 2015/16, will be discussed by Cabinet on 11th February 2015. This will include details of the Council's funded capital investment plan for council housing which complement the service and financial plans for the HRA in this report.

1.4 The rent increase for 2015/16 continues to be set in line with Government guidance.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

2.1 The Housing Revenue Account (HRA) is the statutory financial account of the Local Authority as landlord. The Council owns approximately 40,700 homes that are home to around 47,400 people as tenants. In addition, 2,256 leaseholders also receive housing services from the Council. It is the Council's current and future tenants and leaseholders who are impacted by the decisions made in the HRA Business Plan.

2.2 The rent increase of 2.2% will affect many council tenants although those households eligible for housing benefit will see their benefit increase accordingly. A rent increase in line with Government guidance delivers Government- recommended levels of funding for Council Housing whilst taking into account the Government's 2012 debt settlement for Sheffield.

2.3 Garage rents will be held at current levels for the Council's 5,400 garages and garage sites pending a programme of refurbishment and demolition. This will assure the provision of council garages/ sites for council tenants and leaseholders in the future and safeguard rental income from garages for the HRA.

2.4 The expansion of the stock increase programme will provide 400 additional council homes over the next 5 years on top of existing commitments and provide new and existing tenants with greater choice and availability of high demand, high quality and affordable social housing. New Build council housing attracts government funding to the City of over £10k per property.

2.5 Housing Plus will transform the delivery of council housing and neighbourhood services and see every tenant in the City having a named patch officer as their point of contact and better access to the council services they require.

2.6 The installation of photovoltaic (PV) panels on the roofs of 6,000 council dwellings would reduce household bills for those homes by an average of around £200 per year and bring into the City over £30m of energy company subsidies.

2.7 A core investment programme of around £330m (excluding stock increase) is likely to secure or create around 350 Sheffield jobs with procurement strategies designed to optimise engagement with local contractors. And where the duration and value of the contract justifies the inclusion of employment and skills outcomes the council looks to include work experience, apprenticeships new jobs and upskilling of the workforce.

3.0 OUTCOME AND SUSTAINABILITY

3.1 The proposals in this report are aimed at maximising financial resources to deliver outcomes to council tenants in the context of a self-financing funding regime, developments in national policy (Social Rent guidance, Right to Buy and Welfare Reform), the current economic climate and reductions in Government funding.

3.2 The HRA is the 'landlord account' that covers the day to day housing management, investment and repairs services for council tenants. It includes the rental income and other income from tenants and all related expenditure.

3.3 The financial challenges which characterised the HRA Business Plan in its early years were:

- The need to delay essential investment to homes from the early to the later years of the plan in order to make it affordable;
- A number of items which could not be funded so were not built into the plan e.g. refurbishment of communal areas;
- An inability to make provision for the repayment of debt in full over 30 years.

3.4 The Council must ensure that as a self-financing entity, council housing in

Sheffield has a sustainable future. The purpose of the HRA Business Plan report for 2015/16 is to ensure the cost of council housing including investment in homes, services to tenants, the servicing of debt and overheads can continue to be met by the income raised in the HRA.

3.5 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. The Housing Plus proposals strengthen the business plan by improving the capability of the council to support tenancies to succeed and tenants to remain in their home.

3.6 The proposals to further increase the delivery of new/ replacement council homes mean that many of the Right to Buy losses in the coming years will be offset by the stock increase programme additions. The programme is largely self-financing and so does not impact on the HRA's ability to deliver existing commitments and it allows Council Housing in Sheffield to retain any additional receipts generated in Sheffield as a result of the Government's 'reinvigoration' of the Right to Buy policy.

3.7 The installation of PV panels results in lower energy bills for the households affected and reduced carbon emissions for the City at no net cost to the HRA over the long term.

3.8 The purpose of the garage strategy is to provide a sustainable and high demand asset for the benefit of garage owners and the wider HRA.

3.9 The revised long term affordability profile of the HRA indicates the financial health of the business plan is now improved. The outlook for the HRA has improved in 2015/16 primarily as a result of significant Housing Plus efficiencies being factored into the plan over the long term, changed long term assumptions in relation to the national Right to Buy policy, the apportionment of receipt income and the timing of capital investment.

4.0 THE HRA BUSINESS PLAN

4.1 The HRA Business Plan sets out how all aspects of council housing will be funded from income (predominantly 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.

4.2 The first HRA business plan was approved in 2012 to coincide with the introduction of the national reform of council housing finance. The objectives of this business plan at that time were to prioritise investment that would reduce costs over the long term, including mitigating two of the biggest risks to the business plan (the investment backlog and welfare reform), and in so doing to free up resources such that the HRA could begin funding activity that was then deemed unaffordable.

4.3 These principles have been retained. Since 2012 the completion of the Decent Homes programme has been prioritised and new elemental investment programmes have been established to reduce the backlog further. Significant investment has been made in services to provide support to tenants affected by welfare reform, savings are being realised from estate services initiatives, and projects focused on making best use of council homes have been at the heart of the business plan.

4.4 Since the original business plan resources have also been identified to bring forward investment in activity which was previously deemed unaffordable. In 2013/14 the Council was able to identify funding for the delivery of new build council homes for the first time and in the 2014/15 update all resources required for the refurbishment of communal areas to low rise flats was identified over 5 years.

4.5 At the 2014/15 review the HRA Business Plan key priorities were as follows:

- Make full use of the HRA to increase the delivery of new and additional council homes;
- Activity to mitigate the impact of Welfare Reform;
- Making best use of the homes by improving the rehousing process and supporting tenants to sustain their tenancy;
- Invest to save projects on estate services;
- Tackling the investment backlog early;
- Refurbishment of communal areas to low rise flats

4.6 In 2014/15 the tackling of the investment backlog remained a key priority for the business plan with new plans set out for properties which received no works through Decent Homes. However with a more pessimistic financial outlook at the time, the bringing forward of unfunded activity (additional communal area refurbishment) was only made possible by delaying works to some lower priority elements of the investment programme.

5.0 REVIEWING THE BUSINESS PLAN FOR 2015/16

5.1 This year's review of the HRA Business Plan has been undertaken during the third year of 'self-financing' The overall structure of the business plan and key themes within it have been retained from previous years.

5.2 During 2014/15, tenants and leaseholders were consulted on the business plan through the following meetings:-

Forum	Date
Housing and Neighbourhoods Advisory Panel (HANAP)	22nd July 2014
North Local Area Housing Forum	1st October 2014
North West Local Area Housing Forum	2nd October 2014
Sheltered Local Area Housing Forum	8th October 2014
South West Local Area Housing Forum	14th October 2014
Central Local Area Housing Forum	14th October 2014
Housing and Neighbourhoods Advisory Panel (HANAP)	28th October 2014
South East Area Estate Services and Investment Forum	3rd November 2014
Leaseholder Forum	11th November 2014
East Area Estate Services and Investment Forum	14th November 2014

5.3 Tenants and representatives at the Local Area Housing Forums and Estate Services and Investment Forums were updated on the key business plan developments in 2014/15 and were asked to provide their comments and feedback on some of the probable considerations for 2015/16 such as :-

- Stock Increase
- Garages
- Photovoltaics on Roofs
- Going Local

5.4 Feedback from the forums indicated that the need for an increase in council homes continues to be a high priority for tenants. Investment into garages and garage sites were accepted as being important. Interest was expressed by tenants in photovoltaics, with particular interest in the benefits this would have for council tenants.

5.5 Following the Local Area Housing Forums written answers from all questions raised through the process were circulated to the next round of meetings. This information was also reported to the Housing and Neighbourhoods Advisory Panel (HANAP) meeting on 16th December 2014.

5.6 Throughout the year, tenants also have the opportunity to contribute to initiatives impacting on the business plan via a number of Housing and Neighbourhoods Service meetings and events such as Citywide Forum, the Annual Tenant Conference and Challenge for Change.

5.7 The Safer and Stronger Communities Scrutiny and Policy Committee meeting held on 31st July provided feedback on Council House Building and on 27th November provided feedback on the business plan update and considerations for 2015/16. This feedback included a requirement to undertake more work with tenant representatives to ensure that all tenant questions have been answered and to ensure that proposals are developed in line with the views of tenant representatives. The committee welcomed the idea of photovoltaic panels being installed on Council roofs but asked for assurance about the financial impact on the business plan. The committee also requested further consideration about the impact of the Sheltered Housing Service Charge proposals on tenants previously benefiting from Transitional Protection.

5.8 During 2014/15 all existing planning assumptions and targets in the plan have been reviewed and where necessary updated for 2015/16.

5.9 This report to Cabinet will be discussed with tenant representatives at the Citywide Forum on 8th January 2015. Comments and views expressed will be reported verbally to Cabinet.

6.0 SUMMARY OF KEY CHANGES FOR 2015/16

6.1 There have been a number of key developments in 2014 that will impact upon the business plan in 2015/16. These developments and their impacts are summarised below:

6.2 Factors **positively** impacting the financial outlook of the plan

- Significant efficiencies now factored into the plan over the long term as

- a result of a reshaping of the Housing and Neighbourhoods Service
- Changed long term assumptions in relation to Right to Buy Policy and the apportionment of receipt income
- A reducing investment backlog and improving capacity requiring less work to be delayed into the later years of the plan

6.3 Factors **negatively** impacting the financial outlook of the plan
- A lower than forecast rent increase and changed longer term rental assumptions for the period following the expiry of the Government's current rent guidance
- Updated garage rent assumptions which better reflect deterioration in stock if no investment made

6.4 The net impact of this year's revised planning assumptions and financial modelling is that the business plan now forecasts equivalent resources over 30 years to repay borrowing in full. The plan can be considered viable. In addition the HRA has capacity which can be employed by either bringing forward additional 'unaffordable' activity or by cash flowing schemes which generate a return to the HRA (and so are financially neutral overall) and which would otherwise have been limited by the Government's debt cap.

6.5 The strategic choices for the HRA Business Plan 2015/16 are:-
- Delivery of new/ replacement council homes to be accelerated with 1,000 homes to be delivered by 2019/20 in order to give more Sheffield people access to high quality affordable housing
- Increasing the support available to tenants by putting in place a new local approach to housing management (Housing Plus)
- Pursuing the option to install photovoltaic (solar) panels to up to 6,000 council homes in the coming years, at no net cost to the HRA over the long term and to reduce household bills for those homes by around £200 per year
- Implementation of the garage strategy to arrest the forecast reduction in garage rent loss, improve the condition and look of Council owned garages and potentially release sites for new council housing development
- New arrangements for Going Local to maintain local investment levels whilst speeding up the purchasing process and ensuring value for money

7.0 INCOME AND RESOURCES

7.1 It is proposed that dwelling rents for 2015/16 increase by 2.2%. This is in line with Government guidance and is equivalent to an average increase of £1.64 per week. Rent increases in line with guidance deliver government recommended levels of funding for Council Housing whilst taking into account the Government's 2012 debt settlement for Sheffield. Appendix D sets out the average rents per house size in Sheffield.

7.2 In May 2014, Government issued Guidance for Rents in Social Housing which set out the Government's policy on rents for social housing. The guidance confirmed that the 'target' social rent for each property would continue to be set using the existing formula but that from 2015-16, rents should increase by up to CPI (Consumer Price Index) + 1 percentage point annually for ten years. This ended the rent restructuring process ('convergence') one year earlier than expected and left actual rents in Sheffield *an average of* £1.09/ week below the target ('formula') level. In order to close this gap and make rents in Sheffield equitable by other means it was decided last year to re-let properties at the target level after they fall vacant. This process, which by November 2014 had reduced the gap between actual rents and target rents to £1.04/ week, will continue.

7.3 In Sheffield, council properties have historically been revalued following Decent Homes work and if the property value was judged to have increased significantly as a result of the work, the rent was increased accordingly. As the Decent Homes programme has now ended it is proposed that this practice also ends and all properties are valued consistently as at the Sheffield Standard. A review will be undertaken to ensure that once the revaluation process has ended comparable properties do have the same valuation.

7.4 Rents to council properties declared for demolition continue to be exempt from the annual rent increase in recognition that these properties are no longer subject to the same investment standards as other properties. Such properties excluded from the 2015/16 rent increase are the remaining tenanted properties in the following schemes:-

- Parkhill
- Sweeney House
- Arbourthorne Fields 2b and 3a

Should Arbourthorne Fields phase 3b be declared for demolition by the Director of Development and Regeneration Services before 6th April 2015 this will also be held with no increase in 2015/16.

7.5 It is recommended that rents for garages and garage sites be frozen at the 2014/15 rates in line with the recommendations of the garage strategy.

7.6 The Sheltered Housing Service Charge is due to be amended in February 2015 following withdrawal of the supported housing subsidy in 2014. The proposed charge will seek to mitigate the financial impact of the withdrawal of subsidy on tenants but will require all tenants to pay for costs not eligible for Housing Benefit. All 36 tenants impacted by the ending of Transitional Protection have been contacted by the Housing and Neighbourhoods Service and are being offered support to optimise household income along with access to the Hardship Fund as appropriate. The revised charging arrangements will not increase in 2015/16.

7.7 The Community Heating service charge will not be increased for 2015/16. Whilst there remains a trading deficit on this account, an improved forecast trading position on the account in 2014-15 along with the security of having funds held in reserve to mitigate risk, makes it possible to hold prices for 2015/16. A breakdown of all Community Heating service charges are set out in Appendix D to this report.

7.8 A new burglar alarm contract is due to be awarded in 2014/15 and as a result, the charge will be reviewed and amended. The charge will not be increased for 2015/16 although it will again be reviewed in the event of any new procurement.

7.9 Charges for Temporary Accommodation and Furnished Accommodation will not be increased in 2015/16.

7.10 Capital resources have been assumed as match funding for the stock increase programme. Use of some of these resources are subject to the wider Council's capital programme approvals and so will be subject to ongoing review.

7.11 Detail in the HRA Business Plan 2015/18 report section 3, summarises the key changes for Income and Resources.

8.0 HOMES

8.1 The aim of the investment programme has been to create an affordable plan to match expected resources and to try and address as much of the higher risk backlog elements as possible in order to minimise costs overall and to start bringing forward activity previously deemed unaffordable such as the delivery of new homes and the refurbishment of communal areas.

8.2 The key priorities for the investment programme in 2014/15 have been to continue to address the existing and emerging heating backlog; award new pitched and flat roofing contracts, undertake a procurement for replacement kitchens, bathrooms, windows and doors, survey work for the communal areas of all low rise flats and maisonettes and a procurement for phase 1 of the Council Housing new build programme.

8.3 No changes have been made to the existing investment priorities for the 5 year programme although budgets have been adjusted to reflect updated cost estimates, investment need and the planned delivery timetable.

8.4 In addition to the existing programme, new priorities for 2015/16 have been identified. The stock increase programme will now deliver 1,000 new replacement homes by 2019/20, increasing the choice and availability of high quality affordable homes in the City.

8.5 Investment work will begin on garages and garage sites from 2015/16. New investment of £3.3m is proposed over a 4 year period in 3,400 garages. 1,291 garages and garages sites are not sustainable and it is proposed that these garages are demolished. This will secure the viability of garages for the long term and may offer sites for new council house development.

8.6 The option to install photovoltaic (PV) panels on around 6,000 council dwellings as part of the roofing contract from 2015/16 will be pursued. This should reduce energy bills for these homes by around £200/ year. The installation and maintenance of the panels would be offset through subsidy and so is forecast to be cost neutral to the HRA over the long term. Should conditions change adversely such that the scheme ceases to be a viable concern the installation process will be reviewed and halted.

8.7 In order to maintain a 5 year planning horizon, planning figures for 2019/20 have been added to the programme consistent with the priorities set out in previous years. This includes a provision for the start of works to communal areas of maisonettes.

8.8 Detail in the HRA Business Plan update report (Appendix A) section 4, summarises the key changes for Homes.

9.0 TENANT SERVICES

9.1 In 2014/15, the Income Management Unit (IMU) budget was increased by over £600k in order to increase the level of support available to tenants affected by Welfare Reform. Most of the increase in budget was for a Hardship Fund for tenants affected by welfare reform but also for additional capacity to help prepare tenants for the introduction of Universal Credit. It is now estimated that only £150k /annum hardship fund will be required in 2014/15 and 2015/16 such that the remaining budget can be rolled forward to future years to coincide with the introduction of Universal Credit and when the availability of Discretionary Housing Payments (DHP) is likely to be less.

9.2 Work towards the implementation of the new Allocations Policy, which will see council housing being allocated in the most efficient way to meet local housing needs, began in April 2014 and is now due to complete in October 2015. A budget of £115k is proposed for 2015/16 and expected efficiencies of £50k per annum relating to vacant rent loss are applied to the budget.

9.3 The new Choice Based Lettings (CBL) ICT system has now been implemented and has been in operation since October 2013. This system, which has streamlined the rehousing and bidding process, is projected to deliver annual savings of £200k, which are a combination of savings from vacant management costs, rent loss and rehousing costs.

9.4 The Successful Tenancies project was established to develop a closer understanding of the cause of tenancy failure. This project ended in June 2014, with an exit strategy agreed to ensure that tenants supported as part of the pilots continue to receive the support they need for as long as they need it. The costs and savings anticipated by this project are now subsumed within Housing Plus.

9.5 Housing Plus proposals were approved by Cabinet in March 2014 which will improve the customer experience and support to tenants who want to remain in their home. The anticipated implementation costs for Housing Plus of around £2.5m for 2015-17 include project, implementation, ICT, training and equipment costs. Around £500k/ annum net savings are anticipated within 4 years of Housing Plus implementation from savings associated with reduced property turnover (vacant repairs, responsive repairs, other non-staff costs and staff costs), reduced face to face enquiries, reduced rent arrears and accommodation savings. The citywide roll out of Housing Plus is planned from June 2015 and will involve a wholesale restructure of the Housing and Neighbourhoods Service. The transition to a new organisational structure is likely to result in a temporary increase in staffing costs up to 2016/17 but these will not be known until the restructure is complete.

9.6 In October 2014, Cabinet agreed the integration of housing grounds maintenance by estate officers in the Council Housing Service into the Parks and Public Realm service and the review of grounds maintenance delivery in order to improve the quality of service whilst maintaining standards and providing financial savings. The integration will offer the opportunity to deliver around £37k HRA savings plus £5k General Fund savings for Council Housing (compared with the £80k target in the business plan) from better efficiency from vehicles, green waste and tipping, plus increased management capacity for the housing service pending the introduction of Housing Plus. Savings of £150k are profiled into the business plan in future years in anticipation of further efficiencies emerging through the consolidation of the new service.

9.7 Savings have been made on tipping costs in 2013/14 but increases to the landfill charge have made further savings in 2014/15 difficult to achieve. A landfill charge increase has been recognised in the 2015/16 budget and it is proposed to delay the 2015/16 and 2016/17 savings by 12 months in order that education and enforcement activity is given time to impact. Staff savings are yet to be realised as a result of fly-tipping. These savings will be considered as part of a future Estate Service restructure.

9.8 A commitment was made in the 2014/15 business plan to review Going Local. The purpose of the review was to retain local discretion to fund activity which is important locally and does not need a major procurement, to improve value for money by channelling works through major contracts and to improve the speed of purchasing by having more clearly defined budgets. The Going Local proposal is as follows:-

1. The £200k Going Local budget already reserved for communal areas is transferred to the investment programme
2. A new 'Enhanced Maintenance' allowance of £70k is devolved from repairs local area teams to allocate works which are important locally
3. A Community Fund of £170k is allocated to local area teams to replace the consultative budget and Going Local and to quickly and simply fund local priorities which do not require a procurement

The proposal ensures that overall the amount of money available to each housing area is maintained.

9.9 In 2014/15 the allocated budget of £51k (including £6k underspend rolled forward from 2013/14) for digital inclusion included £11k towards the Digital Boost project and £40k for Council Housing Service interventions. The interventions will be in place by 2015/16 following on from the Digital Boost project which will be coming to an end.

9.10 The City Stewardship programme ended when the Construction and Building Services Contract ended in April 2014. Since April 2014 interim arrangements have been established to cover the work elements that were previously provided by the City Stewardship and work has been undertaken to develop new training and employment opportunities within the Housing and neighbourhoods Service including Training and Apprenticeships, Traineeship work placements and work experience. These schemes will bring new talent into the housing service and support young people to achieve the qualifications they need to begin a successful career in housing.

9.11 Detail in the HRA Business Plan update report, section 5, summarises the key changes for Tenant Services.

10.0 DEBT AND TREASURY MANAGEMENT

10.1 Since the transition to self-financing in 2012 the overall debt strategy for the HRA has been to externalise its internal borrowing by taking on fixed rate loans to mitigate some of the interest rate risk inherent in the HRA loan portfolio.

10.2 In 2014/15 this internal borrowing is now limited to the borrowing by the HRA from the HRA's own cash reserves (revenue and capital reserve). The result of this is a reduction in the proportion of the loan portfolio at risk from interest rates to 38%.

10.3 The aim of the business plan is now to make a transition to a more robust approach for mitigating interest rate risk over the coming years. The ability to set aside sufficient resources for the repayment of debt in line with the actual maturity profile of the loan portfolio may not be affordable immediately given current commitments, but in time will offer the HRA greater capacity for the delivery of stock increase schemes and lower financing costs over the long term.

10.4 The HRA Treasury Management Strategy for the coming months is to defer taking on debt while the level of reserves are sufficient to cover the level of internal borrowing but maintain flexibility to externalise debt should the interest rate climate change significantly.

10.5 The use of the 'Allowable Debt' element of the Right to Buy receipt to pay down HRA borrowing to compensate it for lost rental income, or to offset future borrowing for viable stock increase schemes, will ensure that Right to Buy losses can be sustained by the business plan in future.

10.6 Detail in the HRA Business Plan update report, section 6, summarises the key changes for Debt and Treasury Management.

11.0 VALUE FOR MONEY

11.1 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. These have now been realised.

11.2 In 2013/14, £1.2m efficiency savings were built into the business plan to take account of the Future of Council Housing integration. To date around £650k/annum savings have been made from senior management costs as a result of the integration of the ALMO with the council and around £450k/annum of back office savings are secured.

11.3 In April 2014 the new three year repairs contract with Kier Services commenced. The budgets for years 2 (2015/16) and 3 (2016/17) of this contract have been set such that the minimum savings required from the new contract are realised. Savings required as a result of Housing Plus implementation then reduces this envelope further. 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. The Council is now reviewing options for the repairs service in the long term with a Cabinet steer expected in the summer 2015.

11.4 In line with last year's assessment, an additional £0.5m budget will be set aside in 2015/16 to fund the Council Housing Service's exposure to insurance liabilities. This budget is then expected to reduce in 2016/17. A £0.8m budget provision is made in 2015/16 in relation to the overall office accommodation consolidation strategy.

11.5 Detail in the HRA Business Plan update report, section 7, summarises the key changes for Value for Money.

12.0 BUSINESS PLAN GOVERNANCE

12.1 The governance of the HRA Business Plan includes tenant governance and scrutiny, political governance and officer structure.

12.2 The Housing and Neighbourhood Advisory Panel (HANAP) replaced the Interim Sheffield Council Housing Board (ISCHB) in June 2014. The membership of HANAP consists of an elected tenant representative from each housing area, a Leaseholder Forum representative plus the Cabinet Member and Adviser with officer support where required. The HRA Business Plan annual review 2015/16 has been the subject of discussion by this group three times in 2014/15.

12.3 Council tenants and residents continue to have the opportunity to be involved in the development of the HRA business plan and/ or the projects within it through a number of other established fora across the city including Citywide Forum, Local Area Housing Forums, Leaseholder Forum and the Partnership Groups.

12.4 During the course of 2014/15 the Safer and Stronger Communities Scrutiny & Policy Development Committee has provided feedback on both the HRA Stock Increase programme and the annual review of the HRA Business Plan for 2015/16.

12.5 In 2014 the Council has purchased new financial modelling software for the HRA Business Plan. This has improved the quality of the financial forecasting.

12.6 Detail in the HRA Business Plan update report, section 2, summarises the key updates concerning Governance.

13.0 RISK MANAGEMENT

13.1 The risk management plan is the basis of the Council's risk management strategy for the HRA Business Plan.

13.2 The main viability test for the business plan is its capacity to repay debt over the life of the business plan. Having this capacity provides cover for interest rate rises and mitigates the need to refinance borrowing in times of high interest rates. It should be noted that the HRA currently has some loans that mature beyond 30 years.

13.3 Following an assessment of the risks to the HRA in the coming 5 years it is proposed that the risk based reserve is reduced to £8.8m

14.0 FORECAST OUTTURN 2014/15

14.1 Regular revenue budget monitoring reports have been brought during the year to Cabinet. These have shown a more favourable outturn compared with the original budget.

14.2 The position for the HRA as at the end of October 2014 was a projected in-year surplus of £12m compared with a budgeted surplus of £6.9. This is an improvement of £5.1m. In accordance with the HRA's financial strategy this revenue surplus / saving generated by the account has been used to provide further funding for the future HRA capital investment programme and has been factored into this update of the Business Plan.

14.3 Further monitoring reports updating the 2014/15 position will be presented in accordance with the Council's budget monitoring timetables.

15.0 HRA BUDGET PROPOSALS FOR 2015/16

15.1 The HRA Business Plan report 2015/16 (at Appendix A) sets out the proposals for 2015/16 and includes the key changes described in the Income, Homes, Tenant Services and Value for Money sections above.

16.0 RECOMMENDED HRA BUDGET 2015/16

16.1 The 2015/16 HRA revenue budget is set out in Appendix B. The HRA opening reserve for 2015/16 will be £10m.

16.2 The 2015/16 budget is based on an assumed in year surplus of £11.1m which will be used to fund the capital programme.

16.3

Summary Recommended Budget 2015/16	HRA revenue (£m)
Opening revenue reserve April 2015	10
Net Surplus/(Deficit) for year	11.1
Transfer to the Capital Programme	12.3
Closing Revenue Reserve (excluding community heating)	8.8
Closing Community Heating balance	1.7

16.4 It is proposed to retain a community heating reserve of £1.7m to smooth out the impact of expected future energy price increases and possible changes in demand resulting from the roll out of heat metering.

17.0 FINANCIAL IMPLICATIONS

17.1 The 2015/16 budget is the fourth annual budget set under the self-financing system. It follows the principles set out in the original business plan and allows for a continuation of services to tenants, revenue repairs to properties and also financial support for the Council Housing investment programme by means of a contribution from revenue.

17.2 In addition, any annual revenue surpluses on the account are planned to provide further funding for capital investment.

17.3 The Council Housing capital programme will require the HRA to undertake further borrowing as allowed under the current government guidelines. In these early years of self-financing the debt strategy for the HRA will continue to be reviewed and developed in accordance with the Council's delegated treasury management policy.

17.4 Further details on the Council Housing Capital programme will be set out in the report to Cabinet on 11 February 2015.

17.5 Appendix B details the initial five-year projections for the HRA income and expenditure account. These are based on current assumptions and will be reviewed during 2015/16 in the light of any known changes.

18.0 LEGAL IMPLICATIONS

18.1 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 ring-fence") are governed by Part VI of the Local Government and Housing Act 1989. This formerly included provision for annual HRA subsidy paid central Government to local housing authorities, as determined by the Secretary of State.

18.2 The housing finance provisions of the Localism Act 2011 amended Part VI of the 1989 Act by abolishing HRA subsidy but providing for the Secretary of State to make a determination providing for 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 HRA Business Plan.

19.0 HUMAN RESOURCES IMPLICATIONS

19.1 Some of the financial efficiency targets in the Tenant Services section of this report may have implications for some teams.

19.2 Where any proposal does impact on teams the Council's Achieving Change and Managing Employee Reductions (MER) procedures will be followed.

20.0 ENVIRONMENTAL & SUSTAINABILITY IMPLICATIONS

20.1 Any environmental and sustainability issues arising from the Council Housing Investment programme within this report will be dealt with the Capital Programme report to Cabinet in February 2015.

21.0 EQUALITY OF OPPORTUNITY IMPLICATIONS

21.1 Consideration has been given to equalities relating to HRA budgets and business plan options and a full Equalities Impact Assessment (EIA) has been completed. Issues raised will be addressed through regular monitoring against actions in the EIA.

21.2 The Capital Programme report to Cabinet on 21 February 2015 will deal with any equalities considerations relating to the Council Housing Investment programme.

21.3 Any in-year proposed change in policy or service provision will require an individual Equality Impact Assessment.

22.0 PROPERTY IMPLICATIONS

22.1 There are no additional property implications for the Council arising from the recommendations in this report.

23.0 ALTERNATIVE OPTIONS CONSIDERED

23.1 To increase rents for Council dwellings by less than the Government guidance- The Government's self-financing debt settlement of 2012 was made in view of its expectation that each Local Authority would set rents in line with Government Guidance. To raise rents by less than the guidance amount would detrimentally impact on the ability of the HRA to carry this debt whilst providing Government recommended funding to services and investment.

23.2 Not to prioritise the funding of Photovoltaic Panels- the option of delivering photovoltaic panels, which bring high levels of investment into the city and financial benefit to thousands of tenants, is cost neutral to the HRA because of the lower costs associated with it being installed alongside the re-roofing works. Because of this the subsidy payments for PV are expected to cover the cost of the installation and maintenance and management over the long term. If other investment were prioritised ahead of PV at this time there would be no opportunity to bring PV investment forward in future, unlike the alternative options.

24.0 REASONS FOR RECOMMENDATIONS

24.1 To optimise the number of good quality affordable council homes in the City.

24.2 To make neighbourhoods safer, more attractive places to live through continued investment in Sheffield's council housing and estates.

24.3 To enable tenants to live independently and well in their own home by providing the support they need when they need it.

24.4 To help tenants deal with a challenging economic climate and remain warm in their homes by ensuring energy bills are as low as possible.

24.5 To maximise the financial resources to deliver key outcomes for tenants and the City in the context of a self-financing funding regime.

24.6 To assure the long term sustainability of council housing in Sheffield.

25.0 RECOMMENDATIONS

25.1 It is recommended that Cabinet recommends to the meeting of the City Council on 4th February 2015 that:

1. The HRA Business Plan report for 2015/16 as set out in Appendix A to this report is approved
2. The HRA Revenue Budget for 2015/16 as set out in Appendix B to this report is approved
3. Rents for Council dwellings are increased by 2.2% from April 2015
4. Rents for garages and garage sites are frozen at 2014/15 levels and not increased from April 2015
5. Community Heating charges are not increased from April 2015
6. The burglar alarm charge which is due to be amended during 2014/15 following a procurement is not increased from April 2015
7. The Sheltered Housing service charge which is due to be amended during 2014/15 is not increased from April 2015
8. Charges for temporary accommodation and furnished accommodation are not increased
9. The Director of Commissioning, Communities and the Director of Finance, in consultation with the Cabinet Member for Homes and Neighbourhoods, be granted delegated authority to authorise prudential borrowing as allowed under current government guidelines
10. That the specific projects proposed in this report will be brought forward for member approval in accordance with the Council's Capital Approval process as business cases are developed.

Liam Duggan - HRA Business Plan Team Manager

Sheffield City Council Housing Revenue Account (HRA) Business Plan 2015/16

1. INTRODUCTION

a) Purpose of this Report

This is the Housing Revenue Account (HRA) Business Plan report for 2015/16. This report:-

- Proposes HRA rents and charges for 2015/16
- Proposes budgets for 2015/16
- Reports on progress and sets out new policy choices
- Refreshes the 5 year planning budgets and where appropriate updates long term planning assumptions
- Provides a 30 year affordability profile based on updated financial assumptions in the report

b) Report Structure

The HRA Business Plan 2015/16 report follows the same structure as previous years' reports:-

1. Introduction
2. Governance
3. Income and Resources
4. Homes
5. Tenant Services
6. Debt and Treasury Management
7. Value for Money

c) Background

The Housing Revenue Account (HRA) is the financial account of the Council *as landlord*. It is ring-fenced in law for spend on activity relating to council housing. This means the HRA can't be used to fund any other Council activity which does not relate to the role of the Council as landlord.

In England the HRA operates using a self-financing funding model which means that each Local Housing Authority has to fund its council housing from the income it is able to generate from rents and other charges. There is therefore a limit to what can be afforded by the business plan in order that forecasted spend does not exceed income.

The HRA Business Plan 2015/16 report is the third annual update since the approval of the original plan in 2012 which marked the start of the self-financing arrangements. Existing priorities for the HRA Business Plan are as follows:

- Make full use of the HRA to increase the delivery of new and additional council homes

- Activity to mitigate the impact of Welfare Reform
- Making best use of the homes we have by improving the rehousing process and supporting tenants to sustain their tenancy
- Invest to save projects on estate services
- Tackling the investment backlog early including investment in heating systems and new roofing
- A programme of refurbishment to communal areas with an emphasis on door security, new flooring and windows

d) Summary of Key Changes to Planning Assumptions 2015/16

A number of key developments in 2014 have impacted on the business plan for 2015/16 and beyond. These are summarised below:

Factors **positively** impacting the financial outlook of the plan

- Significant Housing Plus efficiencies now factored into the plan over the long term
- Changed long term assumptions in relation to the national Right to Buy policy and the apportionment of receipt income
- A reducing investment backlog and improving capacity requiring less work to be delayed into the later years of the plan

Factors **negatively** impacting the financial outlook of the plan

- A lower than forecast rent increase and changed longer term rental assumptions for the period following the expiry of the Government's current rent guidance
- Updated garage rent assumptions which better reflect deterioration in stock if no investment made

e) Financial health the HRA Business Plan

The net impact of our revised planning assumptions is that the business plan now forecasts equivalent resources over 30 years to repay borrowing in full.

This capacity can be put to use in the following ways:

a. Bring forward core investment into the next 5 years which was previously deemed unaffordable.
b. Cashflow schemes which generate a return for the HRA (and so are financially neutral overall) and which would otherwise have been limited by the Government's debt cap.

f) Strategic Choices

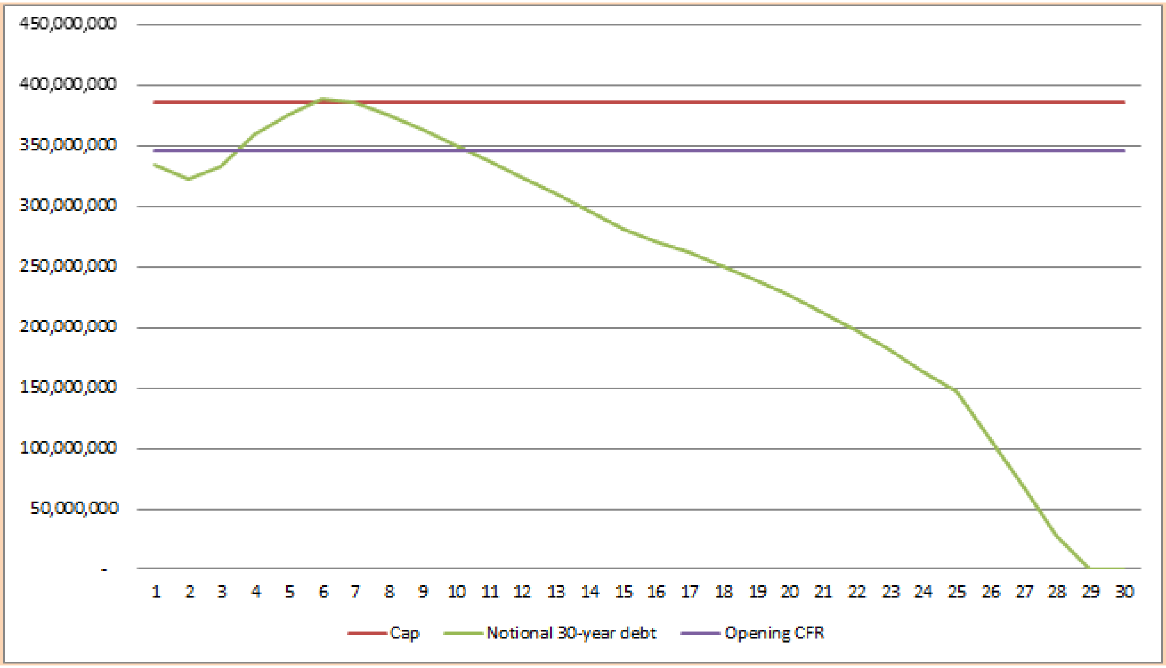
The strategic choices for the HRA Business Plan 2015/16 are:-

- build or buy 1,000 council homes by 2019/20 helping more Sheffield people access good quality affordable housing – and bringing into Sheffield £2m of national funding;
- increase the support we give to tenants by putting in place a new local approach to housing and neighbourhood management;

- pursue the option of installing up to 6,000 photovoltaic (PV) panels on council housing roofs as part of the new roofing contract - bringing in over £30m of subsidies from energy companies to offset costs, more than doubling the PV capacity of the city, creating or maintaining 250 jobs, and reducing tenants' energy bills;
- invest in 3,400 Council-owned garages and garage sites to improve standards for tenants, make garages more economically viable, and prepare some sites for new council housing development;
- new arrangements for Going Local intended to maintain local investment levels whilst speeding up the purchasing process and ensuring value for money

f) Revised 30 Year Affordability Profile

The new long term viability assessment of the HRA Business Plan for 2015/16 is shown below. Equivalent resources are currently forecast over 30 years for the full repayment of debt and accordingly the business plan can be considered viable.



All long term forecasts are a series of assumptions based on information available at a point in time. This is only an indicative guide which must be subject to regular review.

2. GOVERNANCE

a) Overview

HRA governance includes three key structures; tenant governance and scrutiny; political governance and officer structure. This section of the business plan sets out the current governance arrangements and how these will be further developed in partnership with tenants and stakeholders.

b) Tenant and Resident Involvement

Tenant involvement in the development, review and delivery of the HRA business plan takes place in a number of different ways.

Housing and Neighbourhoods Advisory Panel

The Housing and Neighbourhood Advisory Panel (HANAP) replaced the Interim Sheffield Council Housing Board (ISCHB) in June 2014. The membership of HANAP consists of an elected tenant representative from each housing area, a Leaseholder Forum representative plus the Cabinet Member and Adviser with officer support where required. Its purpose is to:

- Provide scrutiny and challenge around services delivered to City Council tenants and leaseholders.
- Act as a sounding board and source of advice for the Cabinet Member for Homes and Neighbourhoods on issues of concern to tenants and leaseholders.
- Play an active role in developing policies and strategies to enhance and improve the sustainability of neighbourhoods and communities across the city.

In 2014/15, HANAP has taken the lead on a range of TARA and Community Engagement reviews and in formulating recommendations on the way forward for the Cabinet Member's consideration.

Other consultation fora

Council tenants and residents continue to have the opportunity to be involved in the development of the HRA business plan and/ or the projects within it through a number of other established forums across the city including:-

- Citywide Forum
- Local Area Housing Forums
- Estate Services and Investment Forums
- Leaseholder Forum
- Partnership Groups

The Council is looking to strengthen the Local Area Housing Forums and intends to review its arrangements for engagement with tenants and leaseholders in 2015.

Tenant and Resident Associations

Tenant and Resident Associations (TARAs) exist to represent their members particularly on housing matters such as the HRA business plan.

In order for TARAs to be recognised by the City Council and receive funding via the Tenant Levy, TARAs must comply with the TARA Recognition Policy. In order for a more consistent approach to TARA management, a review of the TARA Recognition Policy took place in 2014 and a new policy was agreed in August 2014. A launch event was held in September for TARA representatives to attend and six area events took place during September and October. The new policy will be fully implemented over the next 12 months.

In 2013/14 work took place to begin to establish an independent federation of tenants and residents for Sheffield in order to strengthen the voice of tenants and represent their interests. A commitment was made in the 2014/15 business plan report to support the development of an independent Tenant Federation. Funding was offered subject to the group's establishment, the production of a robust business plan and progress being made. No funding has yet been released in 2014/15 as the group have not yet satisfied these criteria.

c) TARA funding

Recognised TARAs are funded by tenants via the Tenant Levy and are also supported by the Housing Revenue Account for the contribution they make.

Council Tenant Levy

Many council tenants pay a levy that goes towards the running and support costs of the local TARA. The levy is 10p / week collected by the Council and paid quarterly to TARAs that are compliant with the Council's TARA Recognition Policy. Each TARA that receives the levy payment can decide what this is spent on within their local area/estate. The tenant levy currently generates around £200k per annum.

Council Housing Concessionary Lettings

A concessionary letting is an ordinary council housing property which has been let or leased to a TARA to enable them to hold meetings and run an office. The property provides a base for the TARA to work and hold committee meetings.

There are currently 29 concessionary lettings (28 properties plus 1 garage) granted to TARAs citywide (North 8, North West 5, East 5, Central 2, South East 6 and South West 3). Rent loss to the HRA as a result of these concessionary lets will be around £100k in 2014/15.

The HRA also provides 'council tax relief' for concessionary lets. TARAs are currently entitled to 80% mandatory tax relief on National Non Domestic rates. The remaining 20% is paid by the HRA totalling around £8k per annum. Other support includes payment of water rates, a repairs service and the provision of annual gas safety and other health and safety checks.

The current Concessionary Lettings Policy was adopted in 2000 with a decision in 2010 that a review of the policy would be undertaken for those properties managed via the HRA and that new concessionary lets to Voluntary Community and Faith Sector organisations would be suspended in the interim.

Council Housing Community Buildings

TARAs and lunch clubs are not charged for the use of the HRA's forty community buildings because of the contribution they make to the involvement of tenants, the sustainability of estates and the HRA business plan.

The charging of other groups for the use of HRA community facilities is at the discretion of the area housing teams. Informal guidance on hire rates for such groups was developed in 2009 but not adopted consistently across the city. Income to the HRA from community buildings is around £25k /annum compared with a potential income of up to £110k were this guidance to have been applied (with no subsequent impact on usage).

The financial benefit to TARAs of not being charged in line with the 2009 guidance equates to around £50k/ annum. Charging arrangements for Council community buildings are currently under review.

c) Council Member Governance

Elected members' role in relation to the business plan will continue via decision making by the Cabinet Member, the Cabinet and Full Council. Cabinet and Full Council have a role in approving the annual HRA budget and business plan. Cabinet receives a formal finance report each month which includes revenue and capital aspects of the plan.

In 2014/15 the Safer and Stronger Communities Scrutiny & Policy Development Committee have provided feedback on the HRA Stock Increase programme and the annual review of the HRA Business Plan for 2015/16.

The Cabinet Member and Cabinet Advisor also chair and attend respectively the Housing and Neighbourhood Advisory Panel (HANAP) which has replaced the Interim Sheffield Council Housing Board.

d) Council Officer Governance

The HRA Business Plan Board is responsible for monitoring performance against the business plan and coordinating the annual review and update of the plan.

In 2014 the Council has purchased new financial modelling software for the HRA Business Plan. This has improved the quality of the financial forecasting.

3. INCOME AND RESOURCES

a) Overview

This section of the HRA Business Plan is concerned with income into the HRA. It includes rent setting and charges payable by tenants to the Council as landlord.

b) Risks

i. Welfare Reform

The impact of Welfare Reform remains a significant risk to the business plan. The forecasted impact of Welfare Reform has been updated and uplifted slightly compared to 2014/15's forecast. The key changes from last year's forecast are as follows:

- The arrears forecast has been re-profiled due to Universal Credit migration being compressed into 2 years
- Arrears caused by under-occupancy were mostly offset by Discretionary Housing Payments (DHPs) in 2013/14
- A cautious estimate of DHP budget received from Government post 2016/17
- Delays to the Pension Credit implementation pushes impacts back to 2018-2020
- Cost of legal actions caused by under-occupancy and Universal Credit revised because of increase in court fees

The longer term impact of arrears anticipated as a result of Universal Credit is expected to peak in 2019/20 with a steady reduction of between 5-10% per annum as current arrears is tackled. The implementation date of Universal Credit, and how it's implemented, will dictate how much and by when arrears will peak. The Government's timetable is for Universal Credit to be widely available across Great Britain during 2016 and during 2016 and 2017 for the majority of all legacy cases to be moved over to the new scheme. However, detailed plans are not currently available.

ii. Right to Buy

Forecasts of Right to Buy sales have been updated with a peak of sales forecast in 2015/16 as a result of changes to Right to Buy policy by Government and an improving housing market.

Reducing rental income as a result of Right to Buy sales forecasts has been addressed this year through application of the 'Allowable Debt' element of the Right to buy receipt to the HRA. This sees the notional debt associated with each sold property paid for from receipt income generated by the sale. The result is an improvement in the business plans overall viability.

iii. Rent Loss from Vacant Properties

Rent loss from vacant properties increased during 2013/14 to 1.56% from 1.22% in 2012/13. Factors that contributed to this include:

- Reduced demand for some properties in some areas, partly due to Welfare Reform
- Implementation of the new Choice Based Lettings (CBL) ICT system which temporarily impacted on performance for part of the year before delivering efficiency
- A reduction in the number of referrals for temporary accommodation and an increase in turnover which led to a higher vacancy rate of around 30%. As a result units were transferred back into general use.

In 2014/15 rent loss performance is improving but is being kept under review.

c) Key Developments

i. Dwelling rent

In May 2014, Government issued Guidance for Rents in Social Housing which sets out the Government's policy on rents for social housing for April 2015 onwards.

The guidance confirms that social rents will continue to be set using the existing formula which takes into account property value, bedroom number and regional earnings. In Sheffield, council properties have historically been revalued following Decent Homes work and if the property value was judged to have increased significantly as a result of the work, the rent was increased accordingly. As the Decent Homes programme has now ended it is proposed that this practice also ends and all properties are valued consistently as at the Sheffield Standard. A review will be undertaken to ensure that once the revaluation process has ended comparable properties do have the same valuation.

The guidance states that from 2015-16, rents in the social sector should increase by up to CPI (Consumer Price Index) + 1 percentage point annually for the next ten years. This confirms the end of rent restructuring and of individual rent increases for different properties. In line with guidance, rents for 2015/16 will increase by an average 2.2%, equivalent to an average increase of £1.64 per week. As in previous years, council property which is declared for demolition will have rents frozen with no increase in recognition that these properties are no longer subject to the same investment standards as other properties.

The Guidance for Rents in Social Housing includes guidance on Affordable Rents which were introduced by the Government at the 2010 spending review. Affordable Rent allows local authorities to set rents at levels that are typically higher than social rents (up to 80% market rent) to enable them to generate additional capacity for investment in new affordable housing. The guidance states that the Government expectation is that the majority of existing rented properties in the social sector will continue to be let at social rent; and the majority of new properties will continue to be let at Affordable Rent. In Sheffield *all* existing rented council housing will continue to be let at social rent. An Affordable Rent will only be applied to new homes located outside of traditional council estates; either to fund schemes which would not be viable at social rent e.g. New Build and larger 4+ bedroom homes, or for schemes part funded by the

Homes and Communities Agency (HCA) where grant conditions specify an Affordable Rent is set.

Finally the guidance set out 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. However Sheffield City Council does not support the charging of higher income tenants a different rent to those on lower incomes and so will not be exercising this freedom.

It is assumed, for the purposes of the thirty year financial model, that after the new ten year rent guidance has expired (from 2024/25) a new Government rent policy will advocate rent increases of lower than CPI+1.

ii. Other charges

Garage rents have traditionally risen in line with dwelling rents. However in line with the newly developed garage strategy recommendations and in order to address customer concerns about high rent levels and poor garage maintenance it is proposed that garage rents are frozen at 2014/15 levels with no increase until investment is completed and rents are rationalised.

The Community Heating service charge will also be held at the current rates for 2015/16 with no increase. Although our long term pricing strategy to utilise reserves along with relatively small annual price increases to reduce the annual trading deficit remains at the heart of planning, an improved forecast trading position on the account in 2014-15 along with the security of having funds held in reserve to mitigate risk, makes it possible to hold prices for 2015/16.

The withdrawal of Housing Related Support subsidy from Sheltered Housing has been phased during 2014/15 with full withdrawal to occur from 2015/16. A new charging structure for the service is due for implementation in early 2015 which is intended to be cash neutral to the HRA and so allow current service levels to continue. It will see a reduced weekly charge although tenants in receipt of housing benefit will have to make a larger contribution than before because the warden and city wide care alarm services, which are integral to Sheltered Housing, are not covered by Housing Benefit.

Tenants occupying a council property fitted with a burglar alarm pay a charge to cover the installation, maintenance and repair of the alarm. A new contract for the installation of burglar alarms is due to be awarded in 2014/15 and when this happens the burglar alarm charge will be amended in line with the new costs. This charge will be reviewed again in the event of any new procurement.

Charges for furnished accommodation and temporary accommodation will remain unchanged in 2015/16.

d) Other Developments

i. Right to Buy Receipt Income

A revised working assumption is proposed this year in relation to the apportionment of Right to Buy receipt income over the long term. The assumption has previously been that the 3 year agreement with Government to retain receipts from additional sales (‘1-1 receipts’) would be extended for 3 years and would then end. It is now proposed that the assumption should be that this policy continues indefinitely, along with the new system of apportioning receipts between the Local Authority and Government.

As set out in section b)ii, the ‘Allowable Debt’ element of the Right to buy receipt will be applied to the HRA to offset borrowing for stock increase purposes. This improves the plan’s overall viability whilst also generating more ‘borrowing’ capacity under the debt cap.

1-1 receipts will be used as required, under the terms of the agreement with Government, as match funding for the delivery of new/ replacement council homes. This income provides the biggest source of match funding for the stock increase programme.

The Local Authority share of Right to Buy receipt will cease funding the Arbourthorne Fields Redevelopment scheme in 2015/16 from which point these resources will be available. Half of this income is allocated to part fund the HRA stock increase programme with the remainder required for other housing purposes. Forecasts of this income will be refreshed in 2015 in line with the new capital finance regulations which are expected to reduce the proportion of this receipt income to the Local Authority.

ii. Other capital resources

Homes and Communities Agency (HCA) grant to part fund the acquisition by the HRA of long term empty properties to let as council homes has been secured for 2015/16.

Affordable Housing Section 106 income is also assumed to part fund the stock increase programme. This is an estimate of the commuted sums which may (or may not) come through the planning system over the next 5 years, for the purposes of this programme.

Whilst capital resources have been assumed as match funding for the stock increase programme use of some of these resources are subject to the wider Council’s capital programme approvals and so will be subject to ongoing future review.

The installation of photovoltaic panels onto the roofs of up 6000 homes is expected to bring around £30m Feed in Tariff and Export Tariff income into the HRA over a 20 year period to offset the initial installation, maintenance and management costs associated with these units.

4. HOMES

a) Overview

This section of the HRA Business Plan is interested in the physical condition and environment of council homes. This section includes the capital investment into homes such as new kitchens, bathrooms and boilers as well as revenue repairs (both planned such as gas servicing and responsive where tenants report a repair).

b) Risks

i. Investment Backlog

The investment backlog is investment to homes which is now due. It is a combination of:

- All elemental work that was not included in the Decent Homes Programme
- All the properties which were omitted and/or refused Decent Homes works
- Elemental work which emerged as the Decent Homes Programme was stretched from 2010 to 2014

Work element	Investment backlog (as at end 2014/15)
Bathrooms, Kitchens, Windows, Doors	£26,000,000
Full & Partial Decent Homes Omissions	£27,913,365
Heating	£15,516,900
Roofs	£96,792,478
Electrics	£16,679,925
Total	**£182,902,668**

The investment backlog is a key risk because any delay to the work increases the final cost if the delay results in a responsive repair which is more expensive than the same work undertaken through a planned programme. The later the backlog is tackled, the higher the overall cost of the business plan and the greater the risk.

ii. Unfunded Items

The number of items not funded in the 30 year investment programme has reduced since 2012 with acquisition/new build and refurbishment of communal areas to low rise flats both now built into the business plan.

The following table sets out those areas which remain partially or fully unfunded at this time and how these might be addressed in future:

Investment area	Proposed approach
Communal areas of maisonettes	£5m factored into the 2019/20 budget. Additional resources to be added to subsequent years budgets subject to availability of resources and outcome of surveying work.
Work to complement Streets Ahead- communal drives,	Work ongoing mapping assets in a number of neighbourhoods which are not included in the Private Finance Initiative (PFI) programme to assess current condition and measure standards.

street lighting etc.	Once this is complete it will be possible to estimate the cost of bringing neighbourhoods up to a standard which is seamless with the Streets Ahead project. A small provision is made in 2019/20 for this work.
Additional environmental works- drying areas, steps, paths, handrails, walls etc.	Some provision has been made in the 5 year programme for basic maintenance but no funding for improvements, remodelling and making better use of space. This is of high importance from a sustainability perspective and to compliment the internal communal area programme. This work has been scoped in 2014/15 with a view to surveys being undertaken alongside/as part of the above Streets Ahead project.
External wall insulation	Current assessments are of a £12m need. £3m has been added in to 2019/20 which takes total budgeted funding to £5m. Balance to be built into subsequent years budgets.
Plastering and Internal Doors	More information is required about plastering need but no major reported issues. Internal doors represent a large investment need (currently unfunded) but a low relative priority.
Non-dwelling assets e.g. community centres	Investment need not is not yet known and links to the charging policy.

c) Key Developments

i. 5 Year Core Investment Programme

The aim of the investment programme has been to create an affordable plan to match expected resources and to try and address as much of the higher risk backlog elements as possible in order to minimise costs overall. This has now been supplemented by investment in communal areas, which was not previously fully funded in order to improve the sustainability of the Council's low rise flats.

Key Commitments	**Update**
Addressing 90% existing and emerging **heating** backlog by March 2017	In 2012/13 and 2013/14 7,019 of the 13,282 obsolete heating systems were replaced. By the end of 2015/16 only around 2,017 obsolete systems will remain, mainly because of problems gaining access to those properties and refusals from tenants. As many of these will be tackled as possible in 2016/17 as well as a further 1,784 ageing, but not obsolete systems which are a part of the backlog.
All higher priority **roofs** to be addressed by March 2019	The roofing programmes are currently being procured with the contract awarded for flat roofing in September 2014 and pitched roofing in January 2015. The need to spend on roofing has increased as a result of the detailed work undertaken to develop the roofing programmes and has shown additional work is required over the 5 year programme.
Replacement kitchens bathrooms windows and doors for 7,000 of 12,800 homes still needing some work by March 2019	Procurement of the kitchen, bathroom, windows & doors programmes is a key priority for delivery in 2015/16. Decent Homes delivery caused major spikes in expenditure which start to re-occur from around 2025-2034.
Refurbishment of **communal areas** to all 12,000 low rise flats by March 2019	Programme surveys have been completed to all low rise block types and consultation has been carried out with tenants. The works programme will commence in 2015/16.

Electrical backlog	An electrical strategy is being developed which will inform future investment requirements with anticipation of a works programme beginning in 2015.

ii. New Investment Activity 2015/16

- New/ replacement Council Housing

The 2014/15 business plan made a commitment to make full use of the capacity of the HRA to deliver the maximum number of new/ additional council homes possible whilst ensuring that all schemes would be self-financing and so not compromise existing investment priorities or the wider business plan.

The forecast in 2014/15 was for 600 units to be delivered over 6 years. In 2015/16 this target is uplifted to 1,000 new / replacement council homes to have been delivered by 2019/20. This increase is achieved by optimising the availability of match funding for the programme, minimising the amount of match funding per unit and by making a small contribution from capital.

As before, the stock increase programme will continue to include new build development and sites have so far been identified for 83 new Council-built homes which are due to be completed in 2015/16 and 2016/17 and new schemes will be brought forward as sites are identified.

However the focus of the programme will be on acquisition (existing units and new units off plan). This is because acquisition is the most cost effective way of delivering high numbers of new council homes quickly. An acquisition strategy has been developed in 2014/15 which takes account of the findings from the Strategic Housing Market Assessment of 2013 and sets out how properties will be prioritised for purchase together with a target geographical distribution.

One of the key principles underpinning the stock increase programme is that most acquisitions will be where the council has existing homes because these are generally better value for the HRA. All homes purchased on traditional council estates will be let at Social Rent.

Affordable Rent will be used within the programme to fund delivery of homes which are a priority for the Council (e.g. new build, 4 bed + properties) but which cannot be delivered viably at social rent. Affordable Rent will also be used where the Homes and Communities Agency specifies this as part of their grant funding agreement.

The impact of these principles on the geographical targets set out in the acquisition strategy will be kept under review.

One of the key limitations to the stock increase programme is the availability of match funding to offset the need to borrow. Whilst capital resources have been assumed as match funding for the stock increase programme use of some of these resources are subject to the wider Council's capital programme approvals and so will be subject to ongoing future review.

- Garage Investment

The garage stock has suffered from a lack of investment over the years with dwellings being a higher priority for investment than garages. The majority of garages and sites have not benefitted from a programme of major works and responsive repairs have been significantly curtailed. Many garages are in a state of disrepair, they are aesthetically poor due to a lack of decoration and a significant proportion have asbestos roof sheets which if damaged means garages cannot be let .

The impact of this lack of investment has led to a lack of demand and in turn to the garages becoming run down and a magnet for anti-social behaviour. Vacant garage numbers have increased considerably over the last few years and this has impacted on the amount of rent collected and the HRA business plan.

The proposed strategy is to invest only in those garages where income exceeds expenditure over a 15 year period. New investment of £3.3m is proposed over a 4 year period and this would be made in 3,402 garages. 1,291 garages and garages sites are not sustainable and it is proposed that these garages are demolished.

Implementation of the strategy, including capital investment costs and frozen rents, is forecast to be financially beneficial to the HRA compared with the ‘do nothing’ option after only 7 years. After this the strategy delivers increasing financial benefits.

- Photovoltaics (PVs) / Solar Panels on Roofs

Photovoltaics (PV) or Solar Panels are a method of generating electricity via sunlight. It is intended that up to 6,000 photovoltaic panels will be fitted to the roofs of council dwellings in the coming years to benefit householders by providing some free energy for their homes and to benefit the local economy by bringing investment into the City.

The benefit of installing PV panels would be an average increase of around £200/ year or £4/ week in the spending power of each affected household, for the 20 years that the panels attract subsidy payments. This amounts to over £1m additional disposable income per year which is then likely to be spent within the local economy.

The scheme would create or safeguard around 250 jobs, would result in more than a doubling in the domestic use of PV in the City and would see the financial benefits of PV, which are subsidised by all energy payers, accessed by Council tenants too. The proposal is expected to result in a 32% reduction in carbon emissions per household and a reduction in the City’s CO_2 production of around 9,000 tonnes per year.

The installation of PV would be undertaken as part of the Council Housing roofing contract which is due to commence in 2015. The anticipated cost of installation plus all subsequent management and maintenance is expected to be offset in full by more than £30m energy subsidy income into the City via the HRA. This subsidy, in the form of Feed in and Export Tariff, is made available to incentivise the uptake of renewable energy initiatives. In order to assure the viability of the scheme it would be necessary to safeguard this funding to the HRA even in the event of homes with PV being bought under Right to Buy.

Upon final approval of the PV business case a property list would be drawn up in consultation with the District (energy) Network Operator (DNO) identifying suitable properties ordered in accordance with the scheduling of the roofing programme and where possible prioritising properties with the lowest energy performance. Subject to agreement by the tenant and a final assessment by the installer, works would then be scheduled to take place as part of the roofing programme. The number of panels possible and the homes with these panels would depend on how quickly the programme is able to get underway.

The performance of this scheme will need to be continually monitored to ensure that it continues to be a viable concern for the HRA with provision in place to end the installation process early should conditions change adversely.

d) Other Developments

<u>i. Regeneration</u>

Phase 3a of the Arbourthorne Fields redevelopment scheme was declared in August 2014 with phases 3b and 3c anticipated to be declared in April 2015 and January 2016 respectively.

As part of the Scowerdons, Weakland and Newstead (SWaN) scheme, 315 new build homes were completed in August 2014 with all existing households at SWaN rehoused, satisfying the commitment made in the SWaN Residents' Charter.

On 17th September 2014, Cabinet agreed for the Development Agreement between Sheffield City Council and Home Group to be terminated at No Fault. The decision was made as the agreement was no longer fit for purpose, and any future development under the Agreement would not be financially beneficial for either party. The termination allows the Council to find alternative options for the redevelopment of the remaining land.

<u>ii. Responsive Repairs</u>

The responsive repairs budget underspent in 2013/14 largely due to a mild winter and the impacts of the extensive boiler replacement programme. Void property repairs overspent against profile due to higher volumes and expected repairs costs. The 2014-17 repairs budget now has the 2% procurement efficiencies built in. Future budgets will be subject to continual review in the coming years as the reduction in the investment backlog serves to reduce repair volumes overall.

<u>iii. Community Heat Metering</u>

The community heat metering rollout commenced in 2014/15 with meters being fitted and installed from June 2014.

e) Financial Summary

The table below sets out the proposed indicative capital programme over the 5 years of the business plan. It adds a new Year 5 resource allocation and provides a total 5 year costs against each aspect of the programme. The 2014/15 column shows the anticipated outturn.

HRA Programme	2014/15 Outturn	2015/16	2016/17	2017/18	2018/19	2019/20	Total 2015-2016
Essential investment work (health & safety, etc)	2.607	3.591	2.477	1.531	0.737	0.637	**8.973**
Adaptations & Access	2.141	1.863	2.047	2.116	2.212	2.200	**10.438**
Regeneration	2.778	2.689	0.952	0.000	0.000	0.000	**3.641**
Garages	0.000	1.144	1.172	1.202	0.000	0.000	**3.518**
Photovoltaics (PV)	0.000	3.684	4.218	3.870	4.432	4.066	**20.270**
Waste	0.000	1.094	1.068	1.082	0.000	0.000	**3.244**
Community Heating	0.639	1.571	0.920	1.042	0.000	1.200	**4.733**
Area Investment Environmentals	2.365	1.632	0.000	0.000	0.000	0.000	**1.632**
Heating & Insulation	7.726	9.302	11.027	6.086	6.255	8.000	**40.670**
Roofs & externals	7.944	23.212	30.480	29.188	26.674	18.200	**127.754**
Communal areas investment	0.025	4.615	4.508	4.600	3.220	5.000	**21.943**
Additional Communal areas investment	0.000	0.200	0.200	0.200	0.200	0.200	**1.000**
Electrics	0.000	0.922	4.600	5.520	6.440	9.000	**26.482**
Kitchens, Windows, Bathrooms & Doors	0.025	6.347	9.223	8.480	7.332	6.560	**37.942**
Other planned elementals	0.000	0.000	0.368	0.000	0.000	4.250	**4.618**
Programme Management	0.261	3.373	3.373	3.373	3.373	2.990	**16.482**
Sub-Total Core Investment Programme	**26.511**	**65.238**	**76.633**	**68.290**	**60.876**	**62.303**	**333.341**
New Build and Acquisitions	6.159	20.889	21.961	17.918	17.114	17.114	94.997
Overall Total HRA Programme	**32.671**	**86.128**	**98.594**	**86.208**	**77.991**	**79.417**	**428.338**

The following table shows the budget profile for the responsive repairs service. Year 2014/15 is the anticipated outturn, 2014/15 is the anticipated outturn and 2017/18 onwards anticipated budgets.

Revenue repairs	2014/15 Outturn	2015/16	2016/17	2017/18	2018/19	2019/20	Total 2015-2016
Revenue repairs	35.3	31.5	31.6	35.2	36.1	36.8	**171.3**

5. TENANT SERVICES

a) Overview

This section of the business plan is concerned with services provided to tenants. It includes services such as tenancy management, income management and re-housing services together with tenancy enforcement (ASB), supported housing, estate services and governance and involvement.

b) Risks

The impact of Welfare Reform on tenant services continues to be a key risk; therefore the response of tenant services to this risk continues to be a high priority for the business plan in 2015/16.

From 2015/16 the significant organisational restructure which will be required to implement Housing Plus and accommodate the Housing Related Support reductions will also represent a risk to the service. This is in addition to an expected review of the Estate Services structure in 2015/16.

c) Key Developments

i. Ensure All Income Owed is Collected

A key priority for the business plan has been to provide support to tenants affected by welfare reform and mitigate the impact of welfare reform on the business plan.

In 2013/14 the Income Management Unit (IMU) budget was increased by £266k in order to increase the capacity of the team to support tenants affected by Welfare Reform and help to mitigate the impacts of Welfare Reform on the business plan.

In 2014/15 the budget was increased again by over £600k, most of which was due to an increase in the size of the Hardship Fund by £450k and the staffing budget by £110k. However, it is now proposed that only £150k/annum Hardship Fund will be required in 2014/15 and 2015/16 such that the remaining budget can be rolled forward to future years to coincide with the introduction of Universal Credit and when the availability of Discretionary Housing Payments (DHPs) is likely to reduce.

Some of the additional activity being funded though this budget increase has included:

- Additional staff facilitating 8,745 visits in 2013/14 to tenants affected by Welfare Reform and offering advice and support on a variety of issues including rehousing. In 2014/15, the number of visits facilitated by staff have reduced as the emphasis has shifted to the increase in the use of drop in surgeries for tenants to attend if they wish to receive help and support.
- Supporting of applications for 4,872 DHPs amounting to £871k income into the HRA in 2013/14. The number of DHPs awarded in 2014/15 as at the end of October is 1,935 which has amounted to £508k income into the HRA.

- Working with volunteers from Heeley Development Trust to contact 1,211 tenants and offer them training/advice on using computers so they are able to access benefits online.
- A debt advice worker benefiting around 122 tenants each year and in doing so almost pays for itself in reduced arrears.
- Physical support via a 'man and van' service to help tenants moving house due to under-occupying
- A £50k Hardship Fund which was allocated in full in 2013/14 to support 136 tenants to sustain their tenancies. This resulted in an estimated saving to the HRA of at least £121k.
- Funding to enable two extra direct debt payment dates and promotional campaigns to improve take-up.
- In June 2014, 27 tenants were set up with budgeting accounts and this number is expected to increase as government funding for DHPs reduces.

The re-profiling of the Hardship Fund into future years when it is likely to be needed more, as well as a slower than anticipated recruitment to additional staffing posts is likely to contribute to an underspend on this budget in 2014/15.

ii. Make Best Use of Homes

The original business plan in 2012 made a commitment to make the re-housing process more effective and efficient by reviewing the Lettings Policy and introducing a new ICT system for the bidding process.

The Lettings Policy review concluded in 2012/13 with the new policy given Cabinet approval in March 2013. Implementation of the Lettings Policy began in April 2014 and is due to complete by October 2015. A project budget of £115k is proposed for 2015/16 and expected efficiencies (£50k/annum) relating to vacant rent loss as a result of the Lettings Policy implementation have been applied to the 2015/16 budget.

The Choice Based Lettings (CBL) system has now been implemented and has been in operation since October 2013. The projected annual savings resulting from the CBL system are as follows:

Vacant Management costs	£ 50k
Rent Loss	£ 50k
Rehousing costs	£100k

Annual savings from vacant management have been built into budgets and realised through reductions in advertising costs. Rent loss however increased in 2013/14, in spite of CBL, primarily because of weakened demand for some property types linked to Welfare Reform.

Benefits to the rehousing service are beginning to be realised in terms of increased self-service, reduced calls to request bids and reduction in refusals. Rehousing cost savings will be realised as part of the wider housing service restructure in 2015/16.

iii. Housing Plus

The original 2012 business plan included an ambition to improve the sustainability of tenancies over the long term by linking up support services to more effectively prevent tenancies failing with an annual net saving of £250k targeted as a result. Since then this project has been used to trial three 'Joined-Up Services' pilots which in turn have informed the development of a 'Housing Plus' model of housing management.

This 'Successful Tenancies' project ended in June 2014, with an exit strategy agreed to ensure that tenants supported as part of the pilots continue to receive the support they need for as long as they need it. The costs and savings anticipated by this project are now subsumed within Housing Plus.

Housing Plus proposals were approved by Cabinet in March 2014. The anticipated costs and benefits of Housing Plus are as follows:

H+	2014/15	2015/16	2016/17	2017/18	2018/19 onwards
Costs (£k)	£ 407,192	£ 1,522,176	£ 965,276	£ 421,600	£ 421,600
Savings (£k)	£ -	£ 283,714	£ 435,167	£ 842,319	£ 929,577
Net (£k)	**£ 407,192**	**£ 1,238,462**	**£ 530,109**	**-£ 420,719**	**-£ 507,977**

The baseline position that these costs and benefits compare with are the staffing costs associated with the Council Housing Service as they were budgeted to be.

Costs in 2014/15 and 2015/16 include project, implementation, ICT, training, recruitment and equipment costs. The residual long term revenue cost of Housing Plus (estimated to be around £422k/annum) is the anticipated cost of technology to facilitate mobile working.

The anticipated £930k/annum savings break down as follows:

Vacant repairs	£309k	Reduced turnover of vacant properties
Responsive repairs	£ 66k	Reduced turnover of vacant properties
Non-staff costs	£ 43k	Reduced turnover of vacant properties
Staffing costs	£237k	Reduced turnover & face to face enquiries
Rent arrears	£172k	Proactive rent collection work with tenants
Accommodation	£102k	Office consolidation

A citywide roll out of the new way of working, planned from June 2015, will involve a wholesale restructure of the Housing and Neighbourhoods Service to ensure the whole service is designed to support delivery of Housing Plus. The transition to a new organisational structure is likely to result in a temporary increase in staffing costs up to 2016/17 but these will not be known until the restructure is complete.

The High Support service is an intensive family intervention project which supports whole families who are at risk of losing their home for causing antisocial behaviour. Income reduced in 2014/15 and will continue to do so in 2015/16 for the High Support Service as a result of the Housing Related Support reductions.

This will continue to be accommodated in the short term by efficiency savings and a contribution from the HRA. A review began in 2014/15 to agree a funding model from 2016/17.

iv. Attractive Neighbourhoods

- Green Open Space Management

Savings of £220k on the cost of the service level agreement with Parks to provide open space maintenance and of £80k on the cost of Housing Estate Officers undertaking green space maintenance have been targeted since the original business plan in 2012.

In October 2013, the Clean Attractive Neighbourhoods service design group delivered its vision statement for a value for money service with improved monitoring and a joined up, collaborative approach to green space maintenance.

In October 2014, Cabinet approved the integration of the grounds maintenance provision by Estate Officers in Council Housing Services into the Parks and Public Realm service, and a review of the delivery of grounds maintenance in order to improve the quality of service delivery, maintain standards and provide financial savings.

This integration will offer the opportunity to deliver around £37k HRA plus £5k General Fund savings for Council Housing (compared with the £80k targeted in the business plan) from better efficiency from vehicles, green waste and tipping, plus increased management capacity for the housing service pending the introduction of Housing Plus. Savings of £150k are profiled into the business plan in future years in anticipation of further efficiencies emerging through the consolidation of the new service.

- Estate Services Review

This business plan initiative began as an incentive to tackle the high cost of fly tipping through investment in education and enforcement measures funded by savings released from the cost of bulky refuse collection.

It has since broadened into a wider review of how estates can be more efficiently kept tidy involving a number of initiatives including:-

- Delivering savings from bulky waste to fund education and enforcement initiatives
- Reducing the number of incidences and high cost of fly tipping via education and enforcement
- Investment into waste facilities to reduce the number of incidences and high cost of chute clearances
- Improving the safety of dry stores and delivering efficiencies by linking with the bulky waste initiative and new waste recycling facilities

As a result of the initiatives set out above savings were targeted from tipping costs and staff time. Savings were made on tipping in 2013/14 but landfill charge increases made further savings difficult to achieve in 2014/15. A landfill charge increase has been factored into the 2015/16 budget and it is proposed to delay the planned 2015/16 and 2016/17 savings by 12 months in order that the education and enforcement activity has time to impact.

No staffing savings have yet to be realised as a result of fly tipping. These savings (target £225k by 2016/17) will be considered as part of a future Estate Service restructure. Savings may partially be offset by an investment in block cleaners by £150k as per original business plan proposals.

v. Going Local

Currently the overall Going Local budget which is allocated across the different housing areas is £400k. This is made up of £200k set aside for investment for communal areas and £200k for local discretion. This budget is in addition to a £42k area consultative budget which is also allocated across the different housing areas.

The 2014/15 business plan made a commitment to review Going Local. The purpose of the Going Local review is to:

1. Retain local discretion to fund activity which is important locally
2. Improve value for money by channelling works through major contracts
3. Improve speed of purchasing by having more clearly defined budgets

The proposal is:

4. The £200k Going Local budget already reserved for communal areas is transferred to the investment programme
5. A new Enhanced Maintenance Allowance of £70k is devolved from the repairs budget to local area teams to allocate works which are important locally
6. A Community Fund of £170k is allocated to local area teams to replace the consultative budget and Going Local and to quickly and simply fund local priorities which do not require a procurement

The proposal ensures that overall; the amount of money available to each housing area is maintained.

d) Other Updates

i. Digital Inclusion

In 2013/14 the Digital Boost project was established which is a collaborative project between the Council’s Income Management Unit, Adult Social Care, GP Services and Heeley Development Trust and includes a mobile Digital Outreach Service which works intensively with whole households identified as digitally and financially excluded. The project to date has identified over 1,200 tenants across the city who are digitally excluded and require support.

In 2014/15 the allocated budget of £51k for digital inclusion (£45k budget + £6k carry forward from 2013/14) includes £11k towards the Digital Boost project and £40k for Council Housing Service (CHS) interventions. The interventions will be based on the Council Housing Service Digital Inclusion action plan which identifies key work streams.

ii. Training and Employability Scheme

The City Stewardship programme ended when the Construction and Building Services Contract ended in April 2014. Since April interim arrangements have been established to cover the work elements that were previously provided by the City Stewardship (e.g. painting, fencing, green work and other associated works) and work has been undertaken to develop new training and employment opportunities within housing including training and apprenticeships, traineeship work and work experience. These schemes will bring new talent into the housing service and support young people to achieve the qualifications they need to begin a successful career in housing.

e) Financial Summary

The tables below set out the profiled investment and savings for tenant services during the next 5 years of the business plan along with the 2013/14 outturn and the anticipated outturn for 2014/15.

Income Management 49362	***2013/14***	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***
Additional Staff (2012)							
Total Rent Arrears Mitigation & Savings	+140,000	-	-	-	-	-	-
Additional Staff (2014)							
Total Investment & Savings	+155,000	+110,000	-46,000	-	-	-	-
Debt Advice Worker .8460							
Total Investment & Savings	-	-	+5,000	+5,000	+5,000	+5,000	+5,000
Visiting Affected Tenants							
Total Investment & Savings	-90,000	-	-	-	-	-	-
Training on Welfare Benefits							
Total Investment & Savings	+5,000	-4,000	-	-	-	-	-
Jam Jar Accounts .9120							
Total Investment & Savings	-	+21,000	-11,000	+10,000	+10,000	+5,000	+4,000
Direct Debit							
Total Investment & Savings	-	+25,000	-25,000	+25,000	-	-	-
Hardship fund - 8560.PROJECT							
Total Investment & Savings	+50,000	+100,000	-	+100,000	+200,000	-400,000	-
Texting .9120							
Total Investment & Savings		+20,000	-10,000	-	-	-	-
Total Income Management							
Total Investment & Savings	+260,000	+272,000	-87,000	+140,000	+215,000	-390,000	+9,000
Outturn (actual spend until this year)	3,238,918	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	3,216,219	-	-	-	-	-

Supporting Housing	***2013/14***	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***
BU 49364							
Total (Support for Underoccupiers)	+13,000	-22,000	+5,000	+2,000	-	-	-
Outturn (actual spend until this year)	2,214,016	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	2,259,097	-	-	-	-	-

Lettings Policy Review	***2013/14***	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***
BU 49504							
Total Increases to budget & Reductions to budget	-185,000	-	-	-	-	-	-
Outturn (actual spend until this year)	4,451	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	-	-	-	-	-	-

Lettings Policy Implementation	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
BU 49398							
Total Increases to budget & Reductions to budget	+140,000	+80,000	-105,000	-115,000	-	-	-
Outturn (actual spend until this year)	zero	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	200,000	-	-	-	-	-

CBL Implementation Project	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
BU 49392							
Total Increases to budget & Reductions to budget	-25,000	-75,000	-	-	-	-	-
Outturn (actual spend until this year)	621,286	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-		-	-	-	-	-

Successful Tenancies Project	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
BU 49392.TENSUST in 13/14, BU 49503 in 14/15							
Total Investment & Saving	+140,000	+160,000	-16,000	-	-	-	-
Outturn (actual spend until this year)	48,573	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	30,000	-	-	-	-	-

Housing+	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
BU 49503							
Total Investment	-	+334,000	+1,474,344	-843,068	-543,676	-	-
Outturn (actual spend until this year)	-	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	407,192	-	-	-	-	-

Vacants Management	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
BU 49379							
Savings: H+ non-staff savings (Admin costs)	-	-	-1,636	-327	-2,945	-	-
Savings: H+ non-staff savings (B&Q vouchers)	-	-	-3,938	-788	-7,089	-	-
CBL Vacant Management Efficiencies	-18,000	-32,000	-	-	-	-	-
Outturn (actual spend until this year)	1,711,130	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	1,666,875	-	-	-	-	-

Rehousing	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
Housing+ non-staffing saving BU 49360							
Total Non-staff cost savings (turnover): Admin	-	-	-4,372	-874	-7,870	-	-
Outturn (actual spend until this year)	998,962	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	1,112,653	-	-	-	-	-

Vacant Rent Loss (excl. Temp Accom)	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
BU 49202.6300.DWELL							
Housing Plus Implementation	-	-	+220,000	-220,000	-	-	-
Lettings Policy Efficiencies	-	-	-21,000	-29,000	-	-	-
CBL Rent Loss Effiiciencies (25% total CBL Eff)	-17,000	-33,000	-	-	-	-	-
Initiatives - total impact	-17,000	-33,000	+199,000	-249,000	-	-	-
Outturn (actual spend until this year)	2,211,967	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	2,100,001	-	-	-	-	-

Staff savings from new service (against baseline)	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
Staff Savings from Restructure							
CBL Rehousing Efficiencies	-	-	-100,000	-	-	-	-
Housing+ Staff (Turnover)	-	-	-24,203	-4,841	-43,565	-	
Housing+ Face-to-face Enquiries	-	-	-	-123,795	-41,265	-	-
Total	-	-	-124,203	-128,636	-84,830	-	-
Cumulative savings to roll forward	**-**	**-**	**- 124,203**	**- 252,838**	**- 337,668**	**- 337,668**	**- 337,668**

Tenant Services - Green Open Space	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
Open Space SLA - BU 49356.6360.INTERNAL							
Total Savings	-	-	-	-50,000	-50,000	-50,000	-
Outturn (actual spend until this year)	1,948,784	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	1,840,216	-	-	-	-	-
Estate and Environmental Service Costs							
Total Savings from new integrated service	-	-	-42,000	-	-	-	-
Cleared Sites							
Total Savings	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000	-50,000
Outturn (actual spend until this year)	304,954	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	250,000	-	-	-	-	-

Estate and Environmental Services (49356)	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
Bulky Waste - 49356.6090.BULKY							
Total Savings	-	-45,000	-55,000	-	-	-	-
Outturn (actual spend until this year)	97,500	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	139,300	-	-	-	-	-
Dry Stores - 49356.6090.DRY							
Total Savings	-	-54,000	-50,000	-	-	-	-
Outturn (actual spend until this year)	178,013	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	165,610	-	-	-	-	-
Education and Enforcement - 49356.6370							
Total Investment & Savings	+5,000	-50,000	-	-	-	-	-
Outturn (actual spend until this year)	70,940	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	48,602	-	-	-	-	-
Tipping Charges - 49356.6090.TIPPING							
Total Pressure (Landfill charge) & Savings	-39,000	-38,000	+27,000	-36,000	-36,000	-	-
Outturn (actual spend until this year)	334,425	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	333,023	-	-	-	-	-
Estate and Environmental Services Team Savings Requirements							
Total Block Cleaning Investment & Flytipping Savings	-52,000	-50,000	+1,000	-23,000	+25,000	+50,000	-

Going Local (Community Fund from 15/16)	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
Main .8560.GOLOCAL							
Total adjustments to creat Community Fund	-	-	-228,000	-	-	-	-
Outturn (actual spend until this year)	-	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	-	-	-	-	-	-
Consultative Budget .8560.CONSULT							
Transfer to Community Fund	-	-	-42,000	-	-	-	-
Outturn (actual spend until this year)	-	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	-	-	-	-	-	-

Tenant Services - Other	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*
Digital Inclusion - BU 49392							
Total Investment	-	+15,000	-	-	-	-	-
Outturn (actual spend until this year)	24,021	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	20,331	-	-	-	-	-
Training and Employment - BU 49212							
Total Investment	-	-	-	-	-	-	-
Outturn (actual spend until this year)	-	-	-	-	-	-	-
Forecast outturn (for this year and future years)	-	696,572	-	-	-	-	-

6. DEBT AND TREASURY MANAGEMENT

a) Overview

This section of the HRA Business Plan is interested in how the risks and opportunities associated with borrowing are opportunities associated with borrowing are optimised for the benefit of the HRA.

b) Risk

The HRA currently supports a Capital Financing Requirement of £346m of which around 38% is exposed to interest rate variations. The role of treasury management is to manage the HRA's exposure to interest rate fluctuation which is a key risk to the HRA Business Plan. However, it is also important to retain a degree of flexibility to take advantage of borrowing at low interest levels should the opportunities arise. The Council ensures the loan portfolio is regularly reviewed to achieve optimum value for money, in balance with business priorities that exist at the time.

The main viability test for the business plan is its capacity to repay debt over the life of the business plan. Having this capacity provides cover for interest rate rises and mitigates the need to refinance borrowing in times of high interest rates. It should be noted that the HRA currently has some loans that mature beyond 30 years.

c) Key Developments

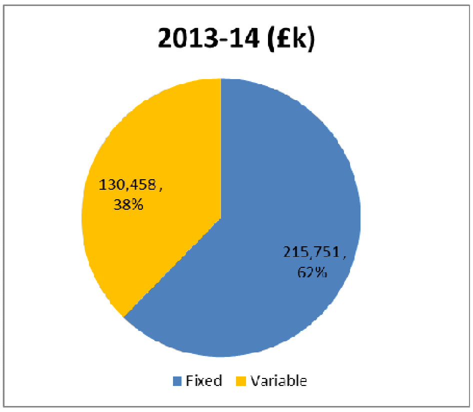
i. Loan Portfolio

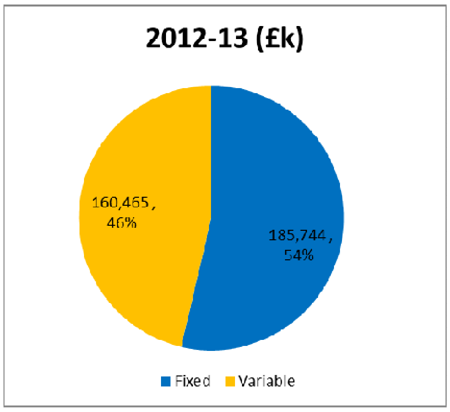
At the start of 'self-financing' the HRA had a significant amount of internal borrowing (£122m) which is the Council's use of cash reserves to finance capital expenditure instead of borrowing.

During 2012/13 around £49m of this internal borrowing was externalised in order to mitigate interest rate risk and bring more cost certainty to the loan portfolio.

In 2013/14 the externalisation of debt was slowed down in order that the HRA could continue to take advantage of historically low borrowing costs at a time when the Authority as a whole had relatively high cash balances. During the course of the year around £37m of low cost fixed-rate loans were taken out to allow the HRA to repay the General Fund for cash it had borrowed internally.

In 2014/15 the internal borrowing position is now limited to the borrowing by the HRA from the HRA's own cash reserves (capital reserve, risk based reserve).





The above charts show that as a result of the externalisation of debt, the amount of the HRA's loan portfolio at risk from interest rate increases has continued to reduce; from 46% in 2012-13 to 38% (and from 59% in 2011-12).

At the end of 2013/14 the HRA's own cash reserves had increased by around £20m on the prior year and will continue to grow further during 2014/15 before they are required to fund the capital programme in 2015/16 and 2016/17.

Because the HRA has more of its own cash it has a smaller requirement for loans. This saves the HRA costs it would otherwise incur on interest payments, but only represents a temporary position. In future years, when the HRA will need its reserves it will need to replenish the cash through additional loans, either externally or from the General Fund if the overall position of the authority makes this possible.

ii. Borrowing Capacity

As the Business Plan's commitment to the delivery of new/ replacement council homes in the coming years becomes more established the capacity of the HRA to borrow over the medium term is becoming increasingly important.

At present the HRA Business Plan is restricted in its borrowing by a debt cap imposed by Government which leaves around £40m borrowing headroom. However, even if the debt cap is lifted by Government, the HRA like any organisation would still be limited by the sheer amount of borrowing (gearing) the business can sustain. That level of borrowing will be determined by the value of the business and its commitments.

The recent reinvigoration of the Right to Buy policy has seen an increase in the actual and forecast number of property sales and a corresponding reduction in the forecasted value of the 'business'. The use of the 'Allowable Debt' element of the Right to Buy receipt to pay down HRA borrowing to compensate the HRA for this lost income, or to offset future borrowing for viable stock increase schemes, will ensure Right to Buy losses can be sustained in the future. This improves the long term viability of the plan and generates additional borrowing headroom under the debt cap for stock increase purposes.

Another approach which will result in increased borrowing capacity for stock increase over the long term is to review our assumptions regarding newly maturing debt. The HRA Business Plan set out in 2013/14 how work was being undertaken to develop the Council's approach for mitigating interest rate risk in the business plan. The approach taken to date has been to build the financial capacity into the plan to repay debt over the 30 years of the plan; the premise being that if the plan has the capacity to repay debt over 30 years then any refinancing decisions over the 30 years will be the Council's to make. However, this approach sees the financial capacity to repay debt built into the plan only in the later years as financial resources in the early years are prioritised on the maintenance backlog.

A more robust approach to mitigating interest rate risk is to set aside an amount of money each year for the repayment of debt in line with the business plan's actual debt maturity profile (the dates when debt matures and becomes repayable). Although an immediate transition to this approach would put financial pressure on the investment programme in the short term and bring with it practical challenges such as the treatment of loans which are not currently forecast to mature within the 30 year life of the plan, it is recognised that this approach would offer significant benefits including

- Reduced exposure to interest rate risk in the short term, because *not* refinancing would always be an affordable option
- Additional borrowing capacity for stock increase in the medium term, because newly maturing debt can be refinanced to fund stock increase.
- Lower financing costs to the HRA, over the long term because new loans need only be taken on for self-financing schemes

In 2013/14 it was agreed that any new borrowing undertaken by the HRA would be undertaken in line with this more robust approach and would therefore have a repayment plan. It is now proposed that with *existing loans* a transition to this approach is undertaken over the medium term where this has no impact on the plan's ability to deliver existing commitments.

<u>iii. Treasury Management Strategy</u>

In order to accommodate the revised business plan targets, including the commitment to increase stock numbers investment programme, the HRA will need to borrow but it will be a question of when this borrowing is taken and at what rate. These decisions are shaped by three key considerations:

1. The interest rate environment - Some of the fundamentals that led to the historically low borrowing costs have not gone away and. whilst the markets remain volatile and borrowing rates look to be on the rise generally, opportunities could still avail themselves to allow the HRA to take advantage of relatively cheap borrowing.

2. The HRA's cash requirements - The HRA currently has sufficient reserves to cover the 2014/15 capital programme so should look to take on fixed-rate loans to resource the new capital investment plans, replace internal borrowing and, where necessary, refinance maturing loans for the much larger capital programme starting in 2015/16.

3. Affordability - As HRA reserves are used to fund the capital programme, internal borrowing will need to be replaced by external debt which will have

the effect of increasing financing costs overall. The business plan currently provides sufficient budget capacity should the need to borrow arise.

The HRA Treasury Management strategy for the coming months is therefore to defer taking on debt while the level of reserves are sufficient to cover the level of internal borrowing but maintain flexibility to externalise debt should the interest position change significantly.

Debt will be taken on with slightly longer maturities in the short term whilst rates remain relatively low and switch to shorter maturities when rates rise further. Shorter maturities are generally cheaper than longer ones and should maintain the overall financing costs within affordable levels.

7. VALUE FOR MONEY

a) Overview

This section of the HRA Business Plan is interested in how the business plan can best achieve value for money. This includes reviews of overheads and support costs such as management, accommodation and Service Level Agreement (SLA) costs.

b) Risks

The risks associated with this section of the business plan are that the efficiency targets built into the plan are not realised or are offset by the emergence of unplanned cost pressures.

c) Key Developments

i. Business Plan Efficiencies

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 annual savings of £784k from Sheffield Homes and of £619k from the City Council by 2015/16.

By 2013/14 at least £800k/annum has been saved from the Council Housing Service support functions compared with a target of £784k. For non-Council Housing Service support costs, spend in 2013/14 was £917k less than the 2012/13 budget which is comfortably more than the £619k savings target. These savings have therefore now been achieved.

ii. Future of Council Housing Savings

In 2013/14 £1.2m efficiency savings were built into the business plan as a result of the Future of Council Housing integration.

To date around £650k/annum savings have been made from senior management costs as a result of the integration of the ALMO with the Council and around £450k/annum of back office savings are secured. The remaining savings will be pursued in 2015/16.

iii. Repairs and Maintenance Contract

An original business plan priority is for a value for money repairs and maintenance service ready for 2014: “*The HRA Business Plan assumes an efficiency saving of 2% (£665k) on the repairs and maintenance service post 2014 but this is dependent on the procurement*”. The business plan at that time was forecasting a repairs budget of £101.9m from the 3 years 2014/15 – 2016/17 taking account of inflation.

In April 2014 the new 3 year repairs contract with Kier Services got underway. The budget for the first year of that contract was set at £37.0m in the 2014/15 business plan update. Budgets for years 2-3 were still to be finalised at that time.

In order that the required savings of £665k/ annum are realised over the 3 years of the contract, the total revenue repairs budgets for 2015/16 and 2016/17 is capped at a total of £ £63m. The £150k/annum savings required from the vacant and responsive repairs budgets in these two years as a result of Housing Plus implementation then reduces this envelope further.

Further savings will be sought from the repairs budget 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.

The Council is now reviewing options for the repairs service in the long term with a Cabinet steer expected in the summer 2015.

iv. Capital delivery

The Housing Investment Programme must retain sufficient flexibility to accommodate potential delays to works resulting from the need to engage tenants and leaseholders and to agree scheme requirements and implementation plans. Where the timetable for a scheme does slip it is important that the programme is still able to apply available resources on investment priorities for the benefit of tenants. To achieve this the Council requires flexible contractor arrangements which are able to respond quickly to changes in demand by diverting resources to where they are needed. This is intended to improve the speed with which HRA resources are applied for the benefit of tenants and will be managed where necessary by delaying less urgent works between years.

v. Cost Pressures

In line with last year's assessment, an additional £0.5m will be set aside in 2015/16 to fund the Council Housing Service's exposure to insurance liabilities. This budget is then expected to reduce in 2016/17.

A £0.8m budget provision is made in 2015/16 for the refurbishment of office space to support to the overall office accommodation consolidation strategy.

Appendix B

Revenue Account	2014/15 Outturn £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2015-20 Total £m
INCOME (in £millions)							
Net income dwellings	(146.9)	(149.4)	(152.2)	(155.0)	(162.1)	(167.4)	(768.1)
Other income	(6.5)	(6.8)	(6.8)	(7.2)	(7.8)	(8.3)	(36.9)
Total	**(153.4)**	**(156.2)**	**(159.0)**	**(162.2)**	**(169.9)**	**(175.7)**	**(823.0)**
EXPENDITURE (in £millions)							
Repairs and maintenance	35.3	31.5	31.6	35.2	36.1	36.8	**171.2**
Depreciation- Capital Programme funding	38.0	39.0	39.8	40.7	41.6	42.7	**203.8**
Tenant Services	53.0	59.5	56.4	57.2	57.3	58.2	**288.6**
Interest and repayment on borrowing	15.0	15.1	17.0	17.3	18.0	17.8	**85.2**
Total	**141.3**	**145.1**	**144.8**	**150.4**	**153.0**	**155.5**	**748.8**
Surplus(-) /Deficit in year	(12.1)	(11.1)	(14.2)	(11.8)	(16.9)	(20.2)	**(74.2)**
Opening Revenue Reserve	(10.8)	(10.0)	(8.8)	(8.3)	(7.9)	(7.7)	
Surplus(-) /Deficit in year	(12.1)	(11.1)	(14.2)	(11.8)	(16.9)	(20.2)	**(74.2)**
Transfer to Capital Reserves	12.9	12.3	14.7	12.2	17.1	20.2	**76.5**
Closing Revenue Reserve	(10.0)	(8.8)	(8.3)	(7.9)	(7.7)	(7.7)	

All totals are subject to roundings

Appendix C

Capital Account

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2015-20
	Outturn £m	£m	£m	£m	£m	£m	Total £m
EXPENDITURE (In £millions)							
Total	32.7	86.1	98.6	86.2	78.0	79.4	428.3

FUNDED BY (In £millions)							
Capital / Major Repairs Reserve	(27.3)	(74.1)	(87.4)	(68.2)	(58.9)	(63.7)	**(352.3)**
RTB Capital Receipts	(4.8)	(9.7)	(9.7)	(5.3)	(3.3)	(2.1)	**(30.1)**
Other Capital Contributions	(0.5)	(2.3)	(1.5)	(1.0)	(0.2)	(0.4)	**(5.4)**
Additional Borrowing	0.0	0.0	0.0	(11.7)	(15.6)	(13.2)	**(40.5)**
Total Funding	**(32.7)**	**(86.1)**	**(98.6)**	**(86.2)**	**(78.0)**	**(79.4)**	**(428.3)**

All totals are subject to roundings

City Wide average weekly rent by bedsize

Bedsize	Average weekly rent 2014/15	Average weekly rent 2015/16	Increase	
Bedsit	£57.89	£59.16	£1.27	2.2%
1 bed	£65.75	£67.20	£1.45	2.2%
2 bed	£74.84	£76.49	£1.65	2.2%
3 bed	£83.83	£85.67	£1.84	2.2%
4 bed	£90.82	£92.82	£2.00	2.2%
Total (all bedrooms average)	£74.33	£75.97	£1.64	2.2%

Note: The above rents are for Illustrative purposes only as they are based on city wide averages. Actual individual property rents will vary from these figures. Both years' averages are calculated using current stock numbers to enable comparison.

Proposed Community Heating Charges from April 2015

1. Unmetered Heat

Bedsize	Full heating: Current Prices £/week	Full heating: Prices April 2015 £/week	Partial heating: Current Prices £/week	Partial heating: Prices April 2015 £/week
Heating & hot water				
Bedsit	11.38	11.38	10.52	10.52
1 Bedroom	11.82	11.82	10.82	10.82
2 Bedroom	14.66	14.66	13.62	13.62
3/4 Bedroom	15.78	15.78	14.66	14.66
Heating only				
Bedsit	8.38	8.38	7.76	7.76
1 Bedroom	8.58	8.58	n/a	n/a
2 Bedroom	10.82	10.82	10.03	10.03

Note: For sheltered schemes the above prices are split into dwelling heating and communal heating. The communal element of charges will be a fixed £3.03 per dwelling per week in 2015/16.

2. Metered Heat

	Charge		Prices from April 15	
Existing schemes				
Leverton/ Hanover/ Netherthorpe	Unit charge Standing charge	pence per kwh £ per week	4.38 3.68	(i.e 100 kwh heat ticket is £4.38)
Hillside	Unit charge Standing charge	pence per kwh £ per week	3.04 3.14	(i.e 100 kwh heat ticket is £3.04)
Balfour House	Unit charge Standing charge	pence per kwh £ per week	3.40 4.63	(i.e 100 kwh heat ticket is £3.40)
New schemes				
Standard price	Unit charge Standing charge	pence per kwh £ per week	3.38 4.00	

Note ; 1) It is planned that all properties on community heating will have new meters installed (as part of the roll out of the Heat Metering Programme) by January 2017 and the standard prices for new metered schemes, as detailed above, will apply city wide. 2) Prices are reviewed annually and any necessary changes are made to reflect the trading position on the account.

Appendix E

HRA Financial Assumptions

The detailed financial model behind the HRA Business Plan includes a number of assumptions we have used to understand what resources will be available for council housing over the next five years in the context of the next thirty years. These baseline assumptions are listed below.

Revenue assumptions	**Assumption**
Homes – opening number of homes in 15/16	40,763
Homes - dwellings by 2043/44	36,402
Number of RTBs 2015/16	320
Total number of RTBs by 2043/44	4730
Rents	CPI+1% for years 1-10
Consumer Prices Index (CPI) of inflation	2%
Bad Debts	Average of 1%
Void rate	1.5%
Repairs	Increased by contractual inflation
HRA reserves are maintained in accordance with risk based reserves strategy	£8.8m

Debt assumptions	**Assumption**
Opening HRA Borrowing requirement on 1st April 2015	£346m
HRA borrowing limit	£386m
Interest rates on HRA debt	4.5%