FORM 2

SHEFFIELD CITY COUNCIL

Cabinet Report

Report of:	Executive Director, Communities Executive Director, Place Executive Director, Resources
Report to:	Cabinet
Date:	13th January 2016
Subject:	Housing Revenue Account (HRA) Business Plan, HRA budget, rents and charges 2016/17
Author of Report:	Liam Duggan, 0114 2930240
Key Decision:	YES
Reason Key Decision:	Expenditure/savings over £500,000 Affects 2 or more wards

Summary:

This report provides the 2016/17 update of the Housing Revenue Account (HRA) Business Plan. It includes proposals to:

- Reduce rents by 1% each year for the next 4 years, in accordance with the provisions of the Welfare Reform and Work Bill, with the effect that forecast income into the business plan reduces by around 13% over the life of the plan
- Maintain our commitment to new/ replacement council homes, in spite of reduced funding levels, to mitigate the impact on social housing numbers in Sheffield of the Government's *Right to Buy,* the proposed mandatory *Pay to Stay* scheme, the extension of the *Right to Buy* to Housing Association tenants and the sale of *vacant high value local authority housing* to fund it
- Continue to deliver, as planned, improvements to people's homes to make sure homes continue to be well maintained over the next 5 years
- Reduce the size of the 5 year investment programme, in response to the Government's funding reductions, by managing the natural movement of planned work and by allowing more time to consult and plan future external environmental improvements which are needed in many of our neighbourhoods
- Reduce 30 year planning budgets, in response to the Government's funding reductions, by extending the expected lifecycles of some investment items (bathrooms, window frames, radiators), applying savings resulting from recent local policy changes and by refining some long term cost projections based on more updated information

- Begin planning for further long term savings in order to return the business plan to a financially secure position following the funding reductions announced by Government this summer

This report also presents the 2016/17 revenue budget for the HRA.

Reasons for Recommendations:

- To optimise the number of good quality affordable council homes in the city
- To maximise the financial resources to deliver key outcomes for tenants and the city in the context of a self-financing funding regime
- To ensure that tenants' homes continue to be well maintained and to optimise investment in estates
- To assure the long term sustainability of council housing in Sheffield

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Recommendations:

It is recommended that Cabinet recommends to the meeting of the City Council on 3rd February 2016 that:

1. The HRA Business Plan report for 2016/17 as set out in Appendix A to this report is approved
2. The HRA Revenue Budget for 2016/17 as set out in Appendix B to this report is approved
3. Rents for Council dwellings, including Temporary Accommodation, are reduced by 1% from April 2016 in line with the requirements of the anticipated Welfare Reform and Work Act 2016
4. Rents for garages and garage sites remain frozen at 2015/16 levels and not increased from April 2016
5. Community heating charges are not increased from April 2016
6. The Director of Housing, Communities be given delegated authority to amend the burglar alarm charge in 2016/17 in line with the costs incurred under the new contract. Until the contract is in place and the charges are known the burglar alarm charge will remain unchanged
7. The Sheltered Housing service charge which was amended in November 2015 is not increased from April 2016
8. Charges for furnished accommodation are not increased from April 2016
9. The Director of Housing and Neighbourhoods and Director of Finance, in consultation with the Cabinet Member for Housing be granted delegated authority to authorise prudential borrowing as allowed under current Government guidelines
10. The Director of Housing and Neighbourhoods and Director of Finance, in consultation with the Director of Legal and Governance and the Cabinet Member for Housing, be authorised to amend rent levels for 2016/17 in the event that the statutory requirements at the relevant time are different to those anticipated

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Background Papers:

Report to Council, *Housing Revenue Account (HRA) Business Plan Update, HRA Budget and Rent Increase 2015/16*, 4th February 2015

Category of Report: **OPEN**

Statutory and Council Policy Checklist

Financial Implications
YES/~~NO~~ Cleared by: Karen Jones
Legal Implications
YES/~~NO~~ Cleared by: Andrea Simpson
Equality of Opportunity Implications
YES/~~NO~~ Cleared by: Liz Tooke
Tackling Health Inequalities Implications
~~YES~~/NO Cleared by:
Human Rights Implications
~~YES~~/NO Cleared by:
Environmental and Sustainability implications
~~YES~~/NO Cleared by:
Economic Impact
~~YES~~/NO Cleared by:
Community Safety Implications
~~YES~~/NO Cleared by:
Human Resources Implications
YES/~~NO~~ Cleared by: Jo Wright Coe
Property Implications
~~YES~~/NO Cleared by:
Area(s) Affected
All Areas
Relevant Cabinet Portfolio Lead
Cabinet Member for Housing
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
NO

REPORT TO CABINET

HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN, HRA BUDGET, RENTS AND CHARGES 2016/17

1.0 SUMMARY

1.1 This report provides the 2016/17 update of the Housing Revenue Account (HRA) Business Plan. It includes proposals to:

- Reduce rents by 1% each year for the next 4 years, in accordance with the provisions of the Welfare Reform and Work Bill, with the effect that forecast income into the business plan reduces by around 13% over the life of the plan
- Maintain our commitment to new/ replacement council homes, in spite of reduced funding levels, to mitigate the impact on social housing numbers in Sheffield of the Government's *Right to Buy,* the proposed mandatory *Pay to Stay* scheme, the extension of the *Right to Buy* to Housing Association tenants and the sale of *vacant high value local authority housing* to fund it
- Continue to deliver, as planned, improvements to people's homes to make sure homes continue to be well maintained over the next 5 years
- Reduce the size of the 5 year investment programme, in response to the Government's funding reductions, by managing the natural movement of planned work and by allowing more time to consult and plan future external environmental improvements which are needed in many of our neighbourhoods
- Reduce 30 year planning budgets, in response to the Government's funding reductions, by extending the expected lifecycles of some investment items (bathrooms, window frames, radiators), applying savings resulting from recent local policy changes and by refining some long term cost projections based on more updated information
- Begin planning for further long term savings in order to return the business plan to a financially secure position following the funding reductions announced by Government this summer

1.2 This report also presents a 2016/17 revenue budget for the HRA.

1.3 A separate report on the Capital Programme, which includes the council housing investment programme 2016/17, will be considered by Cabinet on 10th February 2016. This will include details of the Council's funded capital investment plan for council housing which complements the service and financial plans for the HRA in this report.

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 around 40,300 homes that are home to around 47,000 people as tenants. In addition around 2,300 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 reductions of 1% each year for the next four years as set out in the Welfare Reform and Work Bill will see tenants' rents decrease by 76p/ week on average in 2016/17. Around 34% of council households will benefit financially from this reduction whilst all other council households, those eligible for housing benefit, will see their benefit adjusted accordingly.

2.3 The rent reductions will see business plan income reduce by around £27m/ year by 2019/20 compared with previous projections. This will require costs to be reduced by up to 13% over the long term and some investment work planned for the next five years to be delayed.

2.4 Whilst the national funding reductions do impact on the ability of the Council to deliver planned commitments the proposals in this report are designed to protect high priority investment and services which are most important to tenants. 95% of council homes now meet the national Decent Homes standard and this business plan makes provision for every council dwelling to be adequately insulated or clad by 2020/21, all obsolete heating systems to be addressed by 2017 and all homes linked to a Community Heating system to be provided with a heat meter by 2017 delivering potential savings of up to 35% on household bills.

2.5 The proposals set out in the Housing and Planning Bill to charge higher earning households a higher rent and to fund the Right to Buy for Housing Association tenants from the sale of 'high value' council homes as they fall vacant will reduce the availability of social housing in the coming years. The Council's ongoing commitment to the stock increase programme in spite of this year's funding reductions will optimise the number of affordable homes in Sheffield for local people and will require a review of how resources are best deployed for this purpose once the regulation governing the sale of '*vacant high value local authority housing*' has been set.

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, 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 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 2016/17 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.

3.4 The foundation of the HRA Business Plan is ensuring council homes are occupied because letting homes generates the rental income which funds all aspects of council housing. The savings being proposed in this year's business plan are designed to protect the sustainability of the business plan by protecting investment to people's homes and by protecting the services needed to make best use of homes.

3.5 Good progress has been made to identify savings needed since the funding reductions were first announced in the Summer Budget in July 2015. However there will be a need to identify around £6m/ year more savings in the coming years to bring the plan back to full health and protect it from rising interest rates and further damaging national policy changes.

3.6 Proposals in the Housing and Planning Bill to fund the extension of the *Right to Buy* to Housing Association tenants from the sale of 'vacant high value council housing' will see the annual reduction in council house numbers accelerate and with it a reduction in future rental income.

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 (predominately rents) the local authority is able to generate in its capacity as landlord. It sets budgets for the coming year and provides a 5 year plan in the context of a 30 year affordability profile.

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 policy 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 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, in the 2014/15 update all resources required for the refurbishment of communal areas to low rise flats was identified over 5 years and in 2015/16 funding for the garage strategy was set aside. In 2015/16 the financial health of the business plan also allowed for an increase in the stock increase programme to 1,000 units and for the Council to pursue the option of installing photovoltaic (PV) panels to up to 6,000 council homes.

5.0 REVIEWING THE BUSINESS PLAN FOR 2016/17

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

5.2 During 2015/16, tenants and leaseholders were informed of changes to Government policy and consulted on the response of the Council through the annual business plan update. The tenant, resident and leaseholder consultation approach adopted this year was the product of a steer from the Housing and Neighbourhoods Advisory Panel with input from the Local Area Housing Forums:-

Forum	Date
Tenant Working Group (North) session 1	24th September 2015
Tenant Working Group (Central) session 1 (x2 groups)	5th October 2015
Annual Tenant Conference	22nd October 2015
Tenant Working Group (North) Session 2	23rd October 2015
Housing and Neighbourhoods Advisory Panel (HANAP)	27th October 2015
Tenant Working Group (North) session 2 (x2 groups)	2nd November 2015
Investment and Repairs Partnership Group (IRPG)	3rd November 2015
Open Information/ Feedback Sessions at Town Hall x2	9th November 2015
Citizen Space website	27th Oct- 24th Nov 2015

5.3 Dedicated working groups meeting twice during the autumn were established for tenants and leaseholders to consider the implications of, and the Council response to, the rent reductions and other recent Government policy announcements. These sessions were advertised to Local Area Housing Forums, the Sheltered Forum, the Leaseholder Forum and to individual TARAs (by letter) in August and volunteers were sought. One Local Area Housing Forum requested a dedicated group for their area; others put forward nominations to mixed groups.

5.4 In addition to these sessions for tenant and leaseholder representatives two ‘open information and feedback’ sessions were held at the Town Hall in order to allow for wider involvement. These sessions, which were advertised via the Council website, an email to over 4,000 tenants and an article in The Star, provided the opportunity for tenants and leaseholders to hear the savings proposals for the HRA and to discuss and provide feedback. Tenants were also given the opportunity to access information and provide feedback via the ‘Citizen Space’ website.

5.5 Throughout the year, tenants have also had the opportunity to contribute to the review of the HRA Business Plan via standing meetings and events including the Annual Tenant’s Conference, the Investment and Repairs Partnership Group and the Housing and Neighbourhoods Advisory Panel.

5.6 The feedback from tenants and leaseholders was that they were generally supportive of the approach being taken by the Council in finding savings. The specific proposals put forward were supported and tenants provided suggestions about where additional savings might be found, for example by addressing perceived value for money issues in relation to investment and repair and by reducing the number of vacant properties.

5.7 During 2015/16 all existing planning assumptions and targets in the plan have been reviewed and where necessary updated for 2016/17.

5.8 This report will be discussed with tenant representatives at the Citywide Forum on

7th January 2016. Comments and views expressed will be offered verbally to the Cabinet meeting.

6.0 SUMMARY OF KEY CHANGES FOR 2016/17

6.1 The Queen's Speech on 27th May 2015, the Chancellor's Summer Budget of 8th July 2015 and the Joint Spending Review and Autumn Statement on 25th November included major changes for social housing, some of which are set out in the Welfare Reform and Work Bill and Housing and Planning Bill.

6.2 The key developments included:-

- <u>Change to Rent Policy</u>
  An annual 1% reduction in social rents for 4 years starting April 2016 is set out in the Welfare Reform and Work Bill. The reduction is to be calculated by reference to the applicable rent on 8th July 2015. This significantly reduces funding for council housing.

- <u>Extension of the *Right to Buy* to Housing Association tenants</u>
  The extension of the *Right to Buy* to Housing Association tenants will be funded nationally through payments by local housing authorities to the government based on the estimated receipts from the sale of 'high value' council homes as they fall vacant. This is set out in the Housing and Planning Bill.

- <u>'Pay to Stay' – Higher Rents for Higher Earners</u>
  Also provided for in the Housing and Planning Bill, and anticipated to come into force from April 2017, social landlords will be required to charge a market or near market rent to tenants whose household income exceeds £30,000. Local Authorities will be required to pay the resulting additional income to the Treasury for deficit reduction. This will apply to existing as well as transferring tenants. It is likely to lead to increased tenant arrears, administration costs for the Council and *Right to Buy* applications.

- <u>Phasing Out of Secure Tenancies for Life</u>
  The Housing and Planning Bill includes provisions so that in future, except in circumstances to be specified by the Secretary of State, secure tenancies may only be granted for a fixed term of between 2 and 5 years. Also, a successor to an existing secure tenancy who is not a partner succeeds to a tenancy automatically converted to a fixed term of 5 years. Shortly before the end of the fixed term the landlord must carry out a review and decide whether to (1) offer to grant a new (fixed term) tenancy of the dwelling, (2) seek possession of the dwelling but grant a tenancy of another dwelling instead or (3) seek possession of the dwelling without offering a tenancy of another dwelling. The Bill does not set the timetable for implementing the changes although the anticipated date is April 2017.

- <u>Further Welfare Reforms</u>
  The current benefits cap of £26,000 is to be reduced to £20,000 and provision for this is made in the Welfare Reform and Work Bill though there

is no indication of the date for when this reduction will commence. The Summer Budget included an announcement that from April 2017 those out of work aged 18-21 making new claims to Universal Credit will no longer be automatically entitled to the housing element although there will be some exceptions. The Joint Spending Review and Autumn Statement set out a proposal that from 2018 the Government proposes to limit Housing Benefit (or the housing element of Universal Credit) for claimants in social rented housing who started their tenancy after April 2016 to the relevant Local Housing Allowance rates. This will include the Shared Accommodation Rate for single claimants aged under 35 without dependent children. This is not yet included in any draft legislation but is likely to be achieved by amendment to Housing Benefit regulations.

6.3 The 1% rent reduction will mean that by 2019/20 rental income into the HRA will be around £27m less per year than previously forecast. Over the life of the plan rental income will reduce by around 13%. This creates two key concerns for the HRA Business Plan:

1. A viability issue for the long term plan (because of the rent reductions reducing forecast income)
2. A cash-flow issue in the first 5 years (because of the rent reductions in parallel with the Government debt cap)

6.4 It is therefore necessary to make long term efficiency savings to improve the viability of the plan. It is also necessary to reduce costs over the next 5 years of the plan through budget reductions and by delaying activity into the later years of the plan.

6.5 The key strategic choices in this business plan concerning the cash flow issue in the first five years of the HRA Business Plan are as follows:-

- Continue to deliver, as planned, improvements to people's homes to make sure homes continue to be well maintained
- Prioritise the delivery of new/ replacement council homes. This is increasingly important because the number of social rented homes in the city will now reduce more quickly as a result of the Government's *Right to Buy*, the proposed mandatory *Pay to Stay,* the extension of the *Right to Buy* to Housing Association tenants and the sale of *vacant high value local authority housing.* The means by which social housing numbers are maintained in the city will need to be reviewed once the regulation governing the sale of '*vacant high value local authority housing*' has been set.
- Accept that our strategy for the delivery of photovoltaic (solar) panels to the roofs of council homes as part of the roofing programme through the HRA is no longer affordable following the dramatic reduction in subsidy (Feed in Tariff) rates proposed by the Government on 27th August 2015 and confirmed on 17th December.
- Allow some slippage to the five year investment programme through the natural movement of planned work
- Allow more time to consult and plan future external environmental improvements which are needed in many of our neighbourhoods

6.6 Long term costs have been taken out of the business plan by:-

- Extending the expected lifecycles of some investment items and building in known, no-access/ refusal rates into long term budgets
- Introducing a managed reduction to the repairs budget in light of fewer repairs jobs being needed following high levels of capital investment and from developing new more efficient ways of working
- Applying savings from recent local policy changes
- Updating our long term budget forecasts for schemes where we now have a better understanding of probable costs
- Making back-office savings

6.7 Savings options will be brought forward and consulted on in the coming months and years to deliver the £6m/ year savings that are still needed to bring the plan back to full financial health.

7.0 INCOME AND RESOURCES

7.1 Dwelling rents for 2016/17 are to reduce by 1% in line with the Welfare Reform and Work Bill. The 1% decrease is equivalent to an average reduction of £0.76 per week. Appendix D sets out the average rents per house size in Sheffield.

7.2 The process of making all council housing rents equitable over time (following the ending of the national 'rent convergence' policy one year early) by letting vacant properties at the target rent level will continue as before (subject to the rent reduction requirements in the anticipated Welfare Reform and Work Act 2016). In November 2015, with around half of council homes at the target level, the *average* rent is now 96p less than 'target' compared with a difference of £1.04 last year.

7.3 Properties declared for demolition within the Arbourthorne Fields Scheme will also have their rents reduced by 1% for 2016/17.

7.4 Garage rents were frozen in 2014/15 to address customer concerns about high rent levels and poor garage maintenance. It is proposed that garage rents remain frozen in 2016/17 pending development of the garage strategy.

7.5 The Sheltered Housing service charge was adjusted on 30th November 2015. The change in charge was to help mitigate the financial impact of the withdrawal of supported housing subsidy. A full consultation of the proposed change was put to tenants and statutory notice provided. The revised charging arrangements will not change in 2016/17.

7.6 The community heating service charge will not be increased for 2016/17. Following the installation of heat meters in Sheltered Housing schemes during 2016/17, as required by the Heat Network (Meter and Billing) Regulations 2014, a 70p weekly charge will be introduced for those schemes where the supply of hot water cannot be measured by meters in the dwellings. This is not an additional charge compared with what others will pay but the amount 'saved' by not paying for hot water via the meter. A breakdown of all community heating service charges is set out in Appendix D to this report.

7.7 The contract for the installation and maintenance of burglar alarms is being re-procured and following the appointment of the new contractor the burglar alarm charge will be amended in line with the costs incurred under the new contract. Until the contract is in place and the charges are known the burglar alarm charge will remain unchanged.

7.8 The furnished accommodation service charge will not be increased for 2016/17.

7.9 Detail in the HRA Business Plan 2016/17 update 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.

8.2 The Government's rent reductions will reduce the funding available to the investment programme over the 5 years of the plan and over the longer term.

8.3 The five year investment programme will continue to prioritise and deliver, as planned, improvements to people's homes (kitchens, bathrooms, windows, doors, roofs, boilers, communal areas etc) to make sure homes continue to be well maintained.

8.4 Each year as the five year programme is reviewed efforts are made to incorporate elements of high priority schemes which are only partially funded. This year such opportunities are extremely limited as the five year programme has had to reduce in size. However a small amount of funding has been possible for energy efficiency work to non-traditional single walled homes, the refurbishment of communal areas of maisonettes and plastering.

8.5 The stock increase programme target of 1,000 new/ replacement homes will be maintained despite the Government's funding reductions in order to partially offset the impact of national policy on social housing numbers. In order to maintain this target an Affordable Rent, of 80% of market rent as prescribed in the Welfare Reform and Work Bill, will be set (subject to the rent reduction requirements) for new properties where this is allowed by Government. The Council's approach to maintaining social housing numbers in the city will need to be reviewed once the regulation governing the sale of '*vacant high value local authority housing*' has been set.

8.6 The rent reductions set out in the Welfare Reform and Work Bill creates a cash flow problem for the business plan over the next 5 years requiring some costs to be slipped from the next 5 years to the later years of the plan. Following a consultation in October and November 2015 it is proposed that more time is allowed to consult and plan future external environmental improvements. Taking more time to plan works to drying areas, steps, paths, walkways, handrails and boundary walls will ensure we make sound and cost effective investment choices and will help to provide a reduction in spending in the next 5 years.

8.7 The HRA Business Plan 2015/16 included proposals to pursue the option of installing up to 6,000 photovoltaic panels over the next 5 years, funded from Government subsidy. The Council's preferred approach for cash-flowing the project was through the Housing Revenue Account although other opportunities were being explored such as through 'rent a roof' schemes. Following confirmation by Government on 17th December that subsidy (Feed in Tariff) rates for new photovoltaic installations will be dramatically reduced the delivery of PV through this route is no longer viable. On that basis it is recommended the delivery of PV through the HRA is considered closed although the Council will continue to support tenants who seek to access subsidised PV through private sector suppliers. The reduction of £20m to the borrowing requirement of the HRA in the next 5 years partially alleviates the cash flow problem caused by the rent reductions.

8.8 Also to alleviate the cashflow problem in the next 5 years it is proposed to allow some slippage to the five year investment programme through the natural movement of planned work. In a work programme of around £50m/ year with the involvement of a number of different contractors some projects are delivered more quickly than others. Project delays will be managed to deliver a 10% underspend (in year 5) to contribute to the reductions needed.

8.9 In addition to the cashflow issue the rent reductions also impact on the long term viability of the plan. To address this it is proposed to extend the expected lifecycles of some investment items (bathrooms, windows and radiators/ pipework), and build in known, no-access/ refusal rates into long term budgets. These changes were consulted on during October and November 2015.

8.10 A repairs strategy will be developed by the Council in consultation with tenants to deliver a managed reduction to the repairs budget over the coming years. This will be achieved through coordinated investment to minimise repairs volumes and from developing new more efficient ways of working.

8.11 Detail in the HRA Business Plan update report section 4, summarises the key changes for Homes.

9.0 TENANT SERVICES

9.1 Universal Credit is due to be implemented for new single claimants in Sheffield from 2016. The Council will be leading the support in the city for tenants affected by its implementation and particularly on budgeting support and digital inclusion.

9.2 The new Allocations Policy approved by Cabinet in March 2013 will be implemented in April 2016. Some elements of the policy have already been introduced as amendments to the current Lettings Policy to help reduce tenancy turnover, staff time and speed up the re-housing process.

9.3 The citywide rollout of Housing Plus, approved by Cabinet in March 2014, is expected from April 2016. The project implementation cost of Housing Plus and resulting savings profiles have been updated for this report although the net impact on the anticipated long term financial benefits to the HRA are essentially unchanged from last year. The estimated cost of the new service has been updated based on revised estimates.

9.4 On 1st May 2015 arrangements for the delivery of housing grounds maintenance by a single service, approved by Cabinet in October 2014, were implemented through the transfer of housing estate officers to the Parks and Public Realm service yielding £42k savings to the HRA in 2015/16 and an anticipated £50k/ annum additional savings for three years from 2016/17.

9.5 A review of estate services commenced in 2015/16 to ensure the estates service is efficient and offers the best outcomes for customers.

9.6 In 2015/16 Going Local was replaced with a local Community Fund and a local enhanced maintenance allowance for the area. The criteria for the use of Community Fund monies has been reviewed this year and shared with Local Area Housing Forums. The areas' enhanced maintenance allowance process has also been developed.

9.7 An on-going budget of £45,000 for the Digital Inclusion project is proposed from 2016/17. This is to enable an expansion to the current number of classes and to look at proposals for installing communal Wi-Fi to community buildings to help with community sustainability as part of the Council's wider digital inclusion agenda.

9.8 Cabinet approved the establishment of a Housing Employability and Apprentice Scheme within the Council Housing Service on 18th March 2015 and this is now factored into the plan.

9.9 Detail in the HRA Business Plan 2016/17 update report section 5, summarises the key changes for Tenant Services

10.0 DEBT AND TREASURY MANAGEMENT

10.1 At the start of self-financing the HRA had £122m internal borrowing which is the Council's use of cash reserves to finance capital expenditure instead of borrowing. This is now around £52m.

10.2 The effect of the Government's recently announced rent reductions will be to quickly deplete HRA balances so there will be a need to externalise this borrowing in full with fixed rate loans in the coming years.

10.3 The reduced viability of the plan at this year's review, as a result of the Government's funding reductions, increases the plan's exposure to interest rate risk. Revenue savings will be required in the coming years to mitigate this.

11.0 VALUE FOR MONEY

11.1 A large number of savings proposals have been made in this year's business plan report in response to the 1% rent reductions in the Welfare Reform and Work Bill. However it is estimated that around £6m/ annum additional savings will be required in the coming years to return the plan to full financial health.

11.2 In 2013/14 £1.2m efficiency savings were built into the business plan as a result of the Future of Council Housing integration. The remaining savings are expected to be made through Service Level Agreement (SLA) reviews and a Managing

Employee Reductions (MER) process.

11.3 A Cabinet decision was made in March 2015 to insource the council housing repairs and maintenance service form 1st April 2017. The insourced service is expected to be fully operational from 2017/18 and following initial costs, efficiencies of £1.3m are assumed from 2019/20. Under the new model it is assumed that efficiencies generated from council housing repairs will be reinvested in the HRA.

11.4 Detail in the HRA Business Plan 2016/17 update report section 7, summarises the key changes for Value for Money.

12.0 RISK MANAGEMENT

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

12.2 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. The long term viability of the plan is dependent on the delivery of around £6m/ annum additional savings in the coming years.

12.3 Following an assessment of the risks to the HRA in the coming 5 years and to prioritise funding for the investment programme in light of the rent reductions it is proposed that the risk based reserve is reduced to £5.3m.

13.0 FORECAST OUTTURN 2015/16

13.1 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.

13.2 The net revenue position for the HRA as at the end of October 2015 was projected to be £15m compared with a budget position of £10.9m. In accordance with the HRA's financial strategy this sum will be used to provide further funding for the future HRA capital investment programme and has been factored into this update of the Business Plan.

13.3 Further monitoring reports updating the 2015/16 position will be presented in accordance with the Council's budget monitoring timetables.

14.0 HRA BUDGET PROPOSALS FOR 2016/17

14.1 The HRA Business Plan report 2016/17 (at Appendix A) sets out the proposals for 2016/17 and includes the key changes described in the Income, Homes, Tenant Services and Value for Money sections above.

15.0 RECOMMENDED HRA BUDGET 2016/17

15.1 The 2016/17 HRA revenue budget is set out in Appendix B. The HRA opening risk based reserve for 2016/17 will be £5.3m.

15.2

Summary Recommended Budget 2016/17	HRA revenue (£m)
Opening revenue reserve April 2016	5.3
Net revenue position	13.0
Transfer to the capital reserve	12.8
Closing Revenue Reserve (excluding community heating)	5.4
Closing Community Heating balance	1.7

15.3 It is proposed to retain a community heating reserve of £1.7m. This is to enable the Council to absorb risks such as significant future increases in gas prices and in doing so avoid the need to implement sharp/ reactive price increases for tenants.

16.0 FINANCIAL IMPLICATIONS

16.1 The 2016/17 budget is the fifth 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.

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

16.3 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.

16.4 Further details on the Council Housing Capital programme will be set out in the report to Cabinet on 10th February 2016.

16.5 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 2016/17 in the light of any known changes.

17.0 LEGAL IMPLICATIONS

17.1 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 (the 1989 Act). This formerly included provision for annual HRA subsidy paid central Government to local housing authorities, as determined by the Secretary of State. HRA subsidy was abolished by the Localism Act 2011, which provided for the Secretary of State to 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.

17.2 The HRA provisions in the 1989 Act include the duty in January or February each year to formulate proposals relating to HRA income and expenditure. Those proposals are contained in this report. These proposals must be made on the best assumptions possible at the time as to all matters which may affect the amounts to be credited and debited to the account, and the best estimates possible as to those amounts.

17.3 The Welfare Reform and Work Bill and the Housing and Planning Bill are both currently before Parliament and contain a number of provisions which will have an impact on the HRA. These are set out at paragraph 6.2 of this report. The proposals set out here have been formulated on the assumptions that both Acts will have been passed by April 2016 and that the relevant provisions as regards the rent to be set will be in force as described. The recommendations reflect this assumption but provide for the possibility that the legislation might be further revised or not have been passed in time in order to ensure that lawful rents are set.

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

17.5 Both Bills (Housing and Planning particularly, Welfare Reform and Work to a lesser extent) provide for detail regarding how the changes will be implemented and will operate to be set out in further Regulations. The effects of the new legislation and any changes needed to Council policies, practices and tenancies will be reported for decision in accordance with the Leader's Scheme of Delegation in due course.

18.0 HUMAN RESOURCES IMPLICATIONS

18.1 Some financial efficiency targets in this report may have implications for some teams.

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

19.0 ENVIRONMENTAL & SUSTAINABILITY IMPLICATIONS

19.1 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 2016.

20.0 EQUALITY OF OPPORTUNITY IMPLICATIONS

20.1 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.

20.2 The Capital Programme report to Cabinet on 10th February 2016 will deal with any equalities considerations relating to the Council Housing Investment programme.

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

21.0 PROPERTY IMPLICATIONS

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

22.0 ALTERNATIVE OPTIONS CONSIDERED

22.1 Delays to some parts of the investment programme have been required this year to address the cash flow issue created by the rent reductions in parallel with the Government debt cap. These delays could be achieved by reducing the stock increase programme. However at a time when social housing numbers are set to reduce ever faster as a result of newly announced Government policy (extension of the *Right to Buy* to Housing Association tenants, sale of *Vacant High Value Local Authority Housing* and *Pay to Stay*) the funding of the stock increase programme is considered to be a high priority.

22.2 A range of savings options have been identified in order to bring expenditure down in line with the revised rental income forecasts following the rent reductions announced by Government this summer. These have been consulted on and are recommended for implementation in this report. Further savings will be needed and options will be developed in the coming months and brought forward for consultation.

23.0 REASONS FOR RECOMMENDATIONS

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

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

23.3 To ensure that tenants' homes continue to be well maintained and to optimise investment in estates.

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

24.0 RECOMMENDATIONS

24.1 It is recommended that Cabinet recommends to the meeting of the City Council on 3rd February 2016 that:

1. The HRA Business Plan report for 2016/17 as set out in Appendix A to this report is approved

2. The HRA Revenue Budget for 2016/17 as set out in Appendix B to this report is approved
3. Rents for Council dwellings, including Temporary Accommodation, are reduced by 1% from April 2016 in line with the requirements of the anticipated Welfare Reform and Work Act 2016
4. Rents for garages and garage sites remain frozen at 2015/16 levels and not increased from April 2016
5. Community heating charges are not increased from April 2016
6. The Director of Housing, Communities be given delegated authority to amend the burglar alarm charge in 2016/17 in line with the costs incurred under the new contract. Until the contract is in place and the charges are known the burglar alarm charge will remain unchanged
7. The Sheltered Housing service charge which was amended in November 2015 is not increased from April 2016
8. Charges for furnished accommodation are not increased from April 2016
9. The Director of Housing and Neighbourhoods and Director of Finance, in consultation with the Cabinet Member for Housing be granted delegated authority to authorise prudential borrowing as allowed under current Government guidelines
10. The Director of Housing and Neighbourhoods and Director of Finance, in consultation with the Director of Legal and Governance and the Cabinet Member for Housing, be authorised to amend rent levels for 2016/17 in the event that the statutory requirements at the relevant time are different to those anticipated

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Date: 4th January 2016

Sheffield City Council Housing Revenue Account (HRA) Business Plan 2016/17

1. INTRODUCTION

a) Purpose of this Report

This is the Housing Revenue Account (HRA) Business Plan report for 2016/17. This report:-

- Proposes HRA rents and charges for 2016/17
- Proposes budgets for 2016/17
- 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 and Structure

The HRA Business Plan 2016/17 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 2016/17 report is the fourth annual update since the approval of the original plan in 2012 which marked the start of the self-financing arrangements.

d) Changes to National Policy since the last business plan update

A series of policy announcements have been made by the new Government administration, since the General Election, which will have a significant impact for social housing providers nationally including the Council.

i. *Change to Rent Policy*

The Welfare Reform and Work Bill includes changes to social rent policy which will mean from April 2016 registered providers of social housing will have a statutory obligation to reduce their rents by 1% per year, irrespective of inflation, for four years.

This has a significant impact for social housing providers who have previously been planning on the basis of the May 2014 Rent Guidance issued by Government. This guidance, which was to 'provide ten years of rent certainty' and 'give stability to social tenants, social landlords and their funders', was for rent increases of inflation (CPI) + 1 percentage point annually, for ten years.

These rent reductions reduce the business plan's forecast income by around 13%. The Council's initial response to these rent reductions is set out in this business plan.

ii. *Extension of the Right to Buy to Housing Association tenants*

The Queen's Speech on 27th May set out the Government's commitment to extend the Right to Buy to Housing Association tenants. On 5th October it was announced that the National Housing Federation and the Government had a reached a deal which will see the extension of the *Right to Buy* to Housing Association tenants brought in voluntarily by Housing Associations thereby avoiding the need for the Government to bring primary legislation through Parliament.

Under the terms of this deal every Housing Association tenant is expected to have the right to purchase a home at Right to Buy level discounts subject to the overall availability of funding for the scheme. The deal will see Housing Associations (unlike Councils) reimbursed the cost of the discounts by Government with Government raising the income to fund the scheme from the sale of '*vacant high value local authority housing*'. The deal is understood to include a requirement for Government to implement deregulatory measures to support Housing Associations to support tenants into home ownership and give Housing Associations greater control over who they house.

The Housing and Planning Bill was published on October 13th 2015. This draft bill makes provision for the Government to apply an annual charge to each local housing authority in England based on the estimated value of that local housing authority's high value stock which is expected to become vacant during the year. The Bill states that the local authority must 'consider' selling its interest in high value housing to fund the charge but leaves open the possibility of it being funded by other means.

iii. <u>'Pay to Stay' – Higher Rents for Higher Earners</u>

The Chancellor announced through the Summer Budget that social landlords will be required by law to charge market or near market rents to tenants where household income exceeds £30,000 and, for local authority landlords, pay the resulting additional income to the Treasury for deficit reduction. This will apply to existing as well as transferring tenants from April 2017 and provision is made for this in the Housing and Planning Bill.

The number of tenants affected in Sheffield isn't known as household income is not routinely collected by the Council about it tenants.

Other key questions which remain unanswered at this time, and which are due to be set out in regulation following enactment of the Bill, are how high earning households will be identified (through tax records, or by tenant declarations) and the criteria governing the setting of rent (threshold to be potentially varied by area, use of a taper etc).

iv. <u>Phasing Out of Secure Tenancies for Life</u>

In December 2015 the Government made an amendment to the Housing and Planning Bill so that in future local housing authorities can only grant secure tenancies for a fixed term of between 2 and 5 years. The amended Bill states that at the end of the fixed term the landlord must carry out a review and decide whether to (a) offer to grant a new (fixed term) tenancy of the dwelling, (b) seek possession of the dwelling but grant a tenancy of another dwelling instead or (3) seek possession of the dwelling without offering a tenancy of another dwelling. The Bill does not set the timetable for implementing the changes although the anticipated dare is April 2017.

v. <u>Further Welfare Reforms</u>

The Chancellor confirmed through the Summer Budget that the £26,000 benefit cap will be reduced to £20,000 outside the capital and this is now set out in the Welfare Reform and Work Bill. This reduction will result in more general needs households being affected by the cap and is also likely to have a significant impact on the Council's Temporary Accommodation and High Support services. A date for reducing the cap is yet to be announced.

The Summer Budget also stated that from April 2017, those out of work aged 18 to 21 making new claims to Universal Credit will no longer be automatically entitled to the housing element. Parents whose children live with them, vulnerable groups and those who were living independently and working continuously for the preceding 6 months would be exempt from this measure.

In the Joint Spending Review and Autumn Statement in November the Chancellor announced that Government will limit the amount of housing benefit paid to social housing tenants to the relevant Local Housing Allowance rate. This will restrict housing benefit for single council tenants aged under 35 and without dependent children to the Shared Accommodation Rate from 2018.

e) Impact of national policy changes on the HRA Business Plan

The most immediately significant impact on the business plan of the policy announcements set out above is the 1% rent reductions. This will mean that by 2019/20 rental income into the HRA will be £27m less per year than previously forecast. Overall the changes reduce rental income into the plan by around 13% over the life of the plan. The rent reductions cause two main issues for the HRA Business Plan:

1. ***A viability issue for the long term plan***
   - This will be addressed by making long term savings

2. ***A cash-flow issue for the 5 year programme***
   - This will be eased by making budget reductions in the short term but can also be addressed by delaying some planned investment

A provisional and conservative estimate is made in the business plan for loss of stock as a result of the Government's proposals for *vacant high value local authority housing* and an initial estimate is also made of the impact of the additional welfare reforms and Pay to Stay on arrears. However at this time no administration costs are built into the business plan in relation to Pay to Stay or Review of Lifetime Tenancies as there is not currently sufficient detail available from Government in relation to these proposals.

f) Responding to the rent reductions

It is necessary to reduce costs over the 30 year life of the plan through long term budget reductions in order to maintain a viable, financially secure business plan.

It is also necessary to reduce costs over the next 5 years through budget reductions and by delaying activity into the later years in order to maintain a fully funded 5 year plan.

The proposals set out in this report seek to adapt the business plan to the rent reductions in order to minimise the impact on the services provided to tenants and to make sure homes continue to be well maintained.

g) Strategic Choices 2016/17

The key strategic choices for the first five years of the HRA Business Plan are to:-

- Prioritise the delivery of new/ replacement council homes. This is increasingly important because the number of social rented homes in the city will now reduce more quickly as a result of the Government's *Pay to Stay* proposals, the extension of the *Right to Buy* to Housing Association tenants and the sale of *vacant high value local authority housing*. The Council's approach to maintaining social housing numbers in the city will need to be reviewed once the regulation governing the sale of *vacant high value local authority housin*g has been set.
- Accept that our strategy for the delivery of photovoltaic (solar) panels to the roofs of council homes as part of the roofing programme through the HRA is no longer affordable following the dramatic reduction in subsidy (Feed in Tariff) rates

proposed by the Government on 27th August and confirmed on 17th December 2015

- Continue to deliver, as planned, improvements to people's homes to make sure homes continue to be well maintained
- Allow some slippage to the five year investment programme through the natural movement of planned work.
- Allow more time to consult and plan future external environmental improvements which are needed in many of our neighbourhoods.

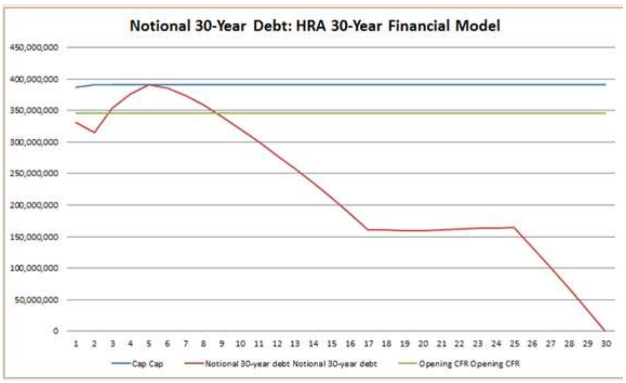
Long term costs have been taken out of the business plan by:

- Extending the expected lifecycles of some investment items and building in known no-access/ refusal rates into long term budgets
- Introducing a managed reduction to the repairs budget in light of fewer repairs jobs being needed following high levels of capital investment and from developing new more efficient ways of working
- Applying savings from recent local policy changes
- Updating our long term budget forecasts for schemes where we now have a better understanding of probable costs
- Making back-office savings

h) Additional savings

In addition to the above there will be a need to deliver around £6 million/ year of additional savings in the coming years to bring the plan back to a financially viable state and fully offset the impact of the Government's funding reductions.

These savings are provisionally factored into the plan over 3 years between year 4 (2019/20) and year 6 to deliver the following 30 year viability profile:



A viable plan is needed in order to provide resilience to rising interest rates and further damaging national policy changes.

Savings options will now need to be identified and consulted on with tenants and leaseholders to meet the £6m savings still required.

2. GOVERNANCE

a) Overview

HRA governance includes three key structures; tenant governance and scrutiny; political governance and officer structure.

b) Tenant and Resident Involvement

i. Housing and Neighbourhoods Advisory Panel (HANAP)

The Housing and Neighbourhoods Advisory Panel (HANAP) has been established since June 2014 (replacing the Interim Sheffield Housing Board) and is a tenant advisory body that was set up for tenant and leaseholder representatives to meet with the Cabinet Member for Housing once a month.

ii. Tenants and Residents Associations (TARAs)

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. A review of the policy took place during 2014 to deliver a more consistent and clearer approach to TARA management. The new policy was implemented in October 2015 and will be reviewed every 2 years from 2016.

iii. Concessionary Lettings and Community Buildings

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 26 concessionary lettings (25 properties plus 1 garage) granted to TARAs citywide (North 9, North West 4, East 4, Central 2, South East 6 and South West 1, plus 1 garage plot). Rent loss to the HRA as a result of these concessionary lets will be around £95,000 in 2015/16.

c) Council Member Governance

The Cabinet Member for Housing has responsibility for the HRA Business Plan. Cabinet and Full Council have a role in approving the annual HRA budget and business plan update. Cabinet receives a formal finance report each month which includes both revenue and capital elements of the plan.

The Business Plan also falls within the scope of the Safer and Stronger Communities Scrutiny & Policy Development Committee.

d) Council Officer Governance

The Director of Housing and Neighbourhood Services is responsible for monitoring performance against the business plan and coordinating the annual review and update of the plan.

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 Government's Welfare Reform continues to be a significant risk to the business plan. The implementation of Universal Credit is due to commence in Sheffield from 2016 initially for new, single, working age claimants.

Rent arrears forecasts have been updated to reflect changes since last year including:

- Updated Universal Credit migration assumptions
- Learning from social landlords already working with Universal Credit
- Re-profiling the mitigations budget based on updated roll out programme
- Hardship Fund re-profiled to be available when Discretionary Housing Payments (DHPs) may drop and Universal Credit migration takes place

The longer term impact of arrears caused by Universal Credit is expected to peak in 2020/21 following which a steady reduction is expected.

The Welfare Reform and Work Bill makes provision for the £26,000 benefit cap to be reduced to £20,000 outside the capital (timetable unknown). The Housing and Planning Bill makes provision for social housing landlords to be required to charge higher earning tenants a higher rent from 2017/18. Both of these initiatives will impact on rent arrears levels and although important detail about these policies is not yet known a provisional estimate has been made in the plan.

Universal Credit and the reduced Benefit Cap pose significant financial risks to the Council's Temporary Accommodation and High Support services and are currently being reviewed.

ii. Right to Buy

Right to Buy sales forecasts continue to show a peak in sales in 2016/17 because of the Government's 'reinvigoration' of the scheme in 2012.

The mandatory 'Pay to Stay' policy in the Housing and Planning Bill whereby higher earners will be required to pay higher rents made is also likely to lead to an increase in Right to Buy applications.

iii. Sale of '*vacant high value local authority housing'*

The sale of 'high value' council homes to fund the extension of the 'Right to Buy' to Housing Association tenants will accelerate the erosion of council homes in the city and rental income into the HRA. It is not yet known whether the Council will retain the housing debt associated with each sold property in lieu of future lost rental income.

iv. Rent Loss from Vacant Properties

The rent loss budget has been under pressure in 2015/16 due to an increase in turnover at the end of 2014/15 and the beginning of 2015/16. This was due to an increased number of 'quits' during this time and the inclusion of properties acquired as part of the stock increase programme.

c) Key Developments

i. Dwelling Rent

Current rent guidance was issued by Government in May 2014 and was for annual rent increases of inflation + 1% from 2015/16 for ten years.

In July the Chancellor announced that this rent policy would no longer stand and social rents would instead reduce by 1% each year for the next four years. This change is being brought in through the Welfare Reform and Work Bill which is expected to be enacted in the coming weeks to make the rent reduction a legal requirement.

Social rents, including temporary accommodation and properties declared for demolition, will therefore reduce by 1% for 2016/17 equivalent to an average reduction of £0.76 per week. In Sheffield, these rent reductions equate to around a 13% reduction in projected rental income over the 30 year life of the plan.

Vacant properties will continue to be re-let at the 'target' / formula rent in order to continue the process of making council rents equitable over time following the ending of the national 'rent convergence' policy by Government one year early. Target rents also reduce by 1% in April.

The Council has a very small but increasing number of homes at Affordable Rent. These rents must also reduce by 1% in April except where the tenancy began on or after 8 July 2015 (the date of the policy announcement). Such rents, which will remain frozen in 2016/17, will see their first rent reduction in April 2017.

The charging of higher rents for higher earners is due to be enforced by Government from April 2017 and will be addressed in next year's business plan. Information about how this this policy will work will be communicated to tenants as it is released by Government.

ii. Community Heating

Heat meters are currently being installed to all 6,000 homes serviced by the Community Heating network. The new heat metering installation programme started in April 2014 and is set to take around 3 years to complete. This will result in more customers having a choice about the amount of heat they consume and therefore the amount they pay for their heating.

The community heating service charge will be held at the current rates for 2016/17 with no increase. This will apply to all heat metering charges and the weekly charges for tenants still receiving an unmetered supply. 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 our planning, the trading position on the account along with the security of having funds held in reserve to mitigate risk, will make it possible to hold prices for 2016/17.

Usually for properties connected to the new metering system both the supply of heating and hot water can be measured and paid for through the meter. However in Sheltered Housing there are some schemes where the hot water supply from the boiler house is on a different piping network which cannot go through the new meters in the dwellings. For these dwellings, only the heating supply can be measured and paid for via the meter, and a new additional standard weekly charge of 70p will need to be raised to cover the cost of the hot water. This is not an *additional* charge compared with what others will pay; it is the amount that is 'saved' by not paying for hot water via the meter. Meters for Sheltered Housing schemes are planned to be installed in 2016/17.

iii. Other Charges

Garage rents were frozen in 2014/15 to address customer concerns about high rent levels and poor garage maintenance. It is proposed that garage rents remain frozen in 2016/17.

Housing related support subsidy was withdrawn in full from the Sheltered Housing Service from 2015/16. A decision was made on 14th September 2015 to implement a new charging model for the Council's Sheltered Housing Service which is intended to be cash neutral and so allow current service levels to continue. It sees a reduced weekly charge although tenants in receipt of housing benefit have to make a larger contribution than before because the warden and citywide alarm services, which are integral to Sheltered Housing, are not covered by housing benefit. This new charge was implemented from 30th November 2015.

On 19th January 2015 a decision was made to adjust the burglar alarm charge (covering the installation, battery replacement and repair of alarms) from £2.35/ week to £1.61/ week. This price review followed the appointment of a new contractor for the installation of alarms at a lower installation price. A new procurement is underway again; this time for both the installation and maintenance of alarms. When this service has been procured and the new prices are known it is recommended that the burglar alarm should again be reviewed to ensure the charge continues to reflect the actual cost of the service.

The furnished accommodation charge will remain unchanged for 2016/17.

4. HOMES

a) Overview

This section of the HRA Business Plan is interested in the physical condition of council homes and estates. This section includes the capital investment into homes such as new kitchens, bathrooms and boilers as well as revenue repairs.

b) Risks

i. Investment Backlog

The investment backlog is investment to homes which is due now. The investment backlog is a key risk to the plan because delaying investment work increases the likelihood of responsive repairs being required in the interim. Responsive repairs are by their nature more expensive than planned works and so the later in the plan the backlog is tackled, the higher the overall cost of the business plan.

Work Element	Investment Backlog (as at end 2015/16)
Bathrooms, Kitchens, Windows, Doors	£19.6m
Full & Partial Decent Homes Omissions	£26.1m
Heating	£3.6m
Roofs	£76.0m
Electrics	£27.1m
Total	**£152.4m**

In 2011, when the first business plan was drafted, the investment backlog was estimated to be around £257m. By March 2016 this is expected to have reduced to £152m.

ii. Unfunded Items

Unfunded items are investment items that were deemed unaffordable when the first business plan was developed in 2011 and so were not factored into the 30 year investment programme at all.

Each year as the business plan is reviewed efforts are made to incorporate elements of this into the five year programme. This year, because of the Government's funding reductions, such opportunities are limited as the five year programme has to reduce in size. However a small amount of funding has been possible for high priority schemes such as energy efficiency work to non-traditional properties, the communal areas of maisonettes and plastering.

The following table provides an update on those items which were reported as partially or fully unfunded in the last business plan (2015/16):

Investment Area	Funding position
Energy efficiency- non-traditional properties	A provision is now made in the 2020/21 budget to take total provision to £16m (now fully funded)
Communal areas of maisonettes	£10m provision towards a total estimated £15m cost now exists in the five year plan.
Externals – canopies, pointing and render	£6m out of a total funding requirement of around £12m exists in the five year plan.
Work to complement Streets Ahead – communal drives, street lighting etc	In the 2015/16 update a £4m provision was made for 2019/20 and this remains. Total costs for this works are estimated to be around £35m
Additional environmental works – drying areas, steps, paths, handrails, walls etc	£26m of an estimated £29m investment need was previously factored into the 5 year plan. No additional budget is provided at this update and £14m is now slipped into the later years to leave a £12m provision for higher priority works.
Plastering and internal doors	A small provision for plastering is made in the 5 year programme but there is no provision for internal doors in the 5 year programme or in the longer term business plan.
Non-dwelling assets	Investment need not yet known and no provision in the plan.

Following a consultation in October and November 2015 it is proposed that more time is allowed to consult and plan future external environmental improvements. Taking more time to plan works to drying areas, steps, paths, walkways, handrails and boundary walls will ensure we make sound and cost effective investment choices and will help to provide a reduction in spending in the next 5 years.

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.

The five year investment programme will continue to prioritise and deliver, as planned, improvements to people's homes (kitchens, bathrooms, windows, doors, roofs, boilers, communal areas etc) to make sure homes continue to be well maintained.

Key Commitment	Progress Update
Addressing 90% of the 2012 heating backlog by March 2017	There were 13,000 obsolete heating systems in 2012, of which more than 11,000 (85%) will have been addressed by March 2016. All remaining properties are due to refusals or no access and will be picked up in future programmes. Since the programme started a further 1500 properties have become obsolete. Subject to access, these will all be completed in 2016/17.
All higher priority roofs to be addressed by March 2019	All roofing projects have been procured and are expected to progress quickly in 2015/16.

Replacement kitchens bathrooms windows and doors for 7,000 of 12,800 homes still needing some work by March 2019	The kitchen, bathroom, windows & doors projects are out to tender and contracts for these will be awarded in January 2016.
Electrical backlog to be addressed after Decent Homes, heating and roofs	A detailed new electrical strategy has now been developed which outlines a programme of improvements to ensure electrics are maintained in line with the latest safety requirements and to modernise properties to bring them to a standard fit for the future. The strategy forecasts lower costs than previously anticipated which can now be built into our long term budget plans.
Refurbishment of communal areas to all 12,000 low rise flats by March 2019	The communal area contracts are due to be awarded by the end of December 2015. Scoping work has begun on the investment needed in the communal areas of maisonettes. Detailed business cases will be brought forward following the conclusion of surveying and analysis.
Garage strategy	A project group has been established and project/communication plans are currently being put in place. The initial phase will be demolition and a further individual cabinet member decision is required to proceed but it is hoped that work will commence in Q3 and complete at the end of Q1 2016/17 with the refurbishment works starting towards the middle of 2016.

Over the next 5 years, and as a result of the funding reductions imposed by Government, it is proposed to allow some slippage to the five year investment programme through the natural movement of planned work. In a work programme of around £50m/ year with the involvement of a number of different contractors some projects are delivered more quickly than others. Project delays will be managed to deliver a small underspend (in year 5) to contribute to the savings needed.

ii. <u>30 year need to spend assumptions</u>

As a result of the funding reductions announced by Government through the Summer Budget 2015 it is proposed to make some changes to our long term planning assumptions. These changes were consulted on during October and November 2015.

- **Bathrooms** - Once we have refurbished all bathrooms as planned we propose to replace them every 25 years. The national benchmark is 40 years but we had previously recommended that both kitchens and bathrooms could be replaced every 20 years. Changing to 25 years as standard will make savings and ensure we're not replacing decent bathrooms just because they are 20 years old. We will still repair or replace a bathroom that fails no matter how old it is.
- **Windows** – Continue to upgrade all windows to uPVC as planned over the next 10 years but after that assume window replacements will involve pane replacement/ re-glazing instead of replacing the whole window and frame. The 'Sheffield Standard' of wind and weather-tight double-glazed windows will still be met under this proposal.
- **Central heating systems –** Continue to replace boilers every 15 years as before but, from 2020/21, it is proposed that instead of replacing radiators and pipework in all properties every 30 years we will prioritise those which need them to avoid

replacing radiators that are in good working order. We will maintain our commitment that all homes have efficient and safe heating systems.

From 2016/17 onwards current, known, no-access/ refusal rates will also be built into our long term budget plans for replacement assumptions for kitchens, bathrooms and heating systems.

iii. Stock Increase Programme

In the 2015/16 update the Council set out its ambition to deliver 1,000 new/ replacement council homes by 2019/20. This included provision for the building of new council homes, acquisition of new build, acquisition of former council homes and acquisition of high priority homes such as 4-beds and long term empty properties. Since that update the HCA has confirmed the Council has been successful in bidding for £4m additional borrowing capacity to deliver 41 new council homes and this too is now incorporated into that target.

On 16th November phase 1 of the Council's new build programme, including 51 new homes located at two sites in Darnall and Manor, started on site. Phase 2 includes proposals for the delivery of up to 38 new build properties on the Weakland estate, Birley, starting on site in spring 2016 and completing in 2016/17. Budget provision has been made for further phases taking total new build numbers to around 184.

By the end of 2015 around 200 of the 1,000 new/ replacement council homes have been delivered including 27 new build Sheffield Housing Company acquisitions, 23 new build units acquired at Fox Hill, 13 four bed acquisitions and 31 properties which had previously been classed as 'long term empty'.

In 2016/17 the Council's commitment to optimising the number of new /replacement council homes becomes ever more important as the city's social housing numbers will be eroded much more quickly in the coming years, not just through *Right to Buy* and '*Pay to Stay*' but also through the Government's extension of the *Right to Buy* to Housing Association tenants and the sale of '*vacant high value local authority housing*' to fund it.

The rent reductions announced by Government through this year's Summer Budget have the effect of reducing the viability of the stock increase programme such that fewer homes can be delivered with forecast resources.

In order to maintain the programme at its current rate it is therefore proposed that an Affordable Rent will be used for all new/ replacement homes, where this is allowed by Government, and not restricted to high priority homes such as new build and 4 beds. The use of Affordable Rent for acquired homes on traditional council estates has, until now, been resisted partly because of concerns about introducing different rent levels for neighbouring council properties. However, under the Government's new *Pay to Stay* proposals this will become a reality in 2017/18 anyway.

When details of the extension of the *Right to Buy* to Housing Association tenants, and the sale of *vacant high value council housing* to fund it, is announced by Government the most effective way to use council resources to protect social housing numbers, including some elements of the stock increase programme, will need to be reviewed.

iv. Photovoltaics (PV) on Roofs

In early 2015 the Council set outs it proposals to pursue the option of installing up to 6,000 photovoltaic panels on council housing roofs over the next 5 years, via the roofing programme, in order to bring in over £30m subsidies from energy companies to offset costs, to create or maintain 250 jobs and reduce tenants' energy bills.

The Council's preferred approach for funding the project was through the Housing Revenue Account although other opportunities were being explored such as through 'rent a roof' schemes.

On 27th August the Government issued a consultation proposing reductions to subsidy (Feed in Tariff) rates payable for new PV installations from January 2016. Confirmation of significant reductions to subsidy rates was then provided on 17th December. The effect of these reductions will be to render the installation of PV unviable through this route. On that basis it is recommended the delivery of PV through the HRA is considered closed although the Council will continue to support tenants who seek to access subsidised PV through private sector suppliers.

Removing the PV scheme from the programme reduces, by £20m, the borrowing requirement of the HRA and partially alleviates the cash flow problem created by the rent reductions set out in the Welfare Reform and Work Bill.

d) Other Developments

i. Regeneration

Phase 3c of the Arbourthorne Fields redevelopment scheme was declared for demolition on 2nd November 2015. This is the final phase of the scheme.

i. Revenue Repairs

In 2015/16 the budget for repairs is £31.9m. This is expected to overspend slightly because of a high number of vacant properties in the early part of 2015/16. Call centre costs also rose in 2015/16 in order to improve customer experience.

It is estimated that in the coming years the repairs budget will benefit from the high levels of capital investment works being made to roofs, boilers etc. Newer roofs and boilers require fewer repairs jobs and from 2017/18 the budget is reduced accordingly.

In light of Government's funding reductions there will be a need for a further analysis of the repairs budget in the coming months to identify choices that will see even fewer repairs required in future and to identify new ways of working to release efficiencies. For example the decision to restrict the re-housing of tenants re-housed less than two years ago should benefit the vacant repairs budget. The development of a repairs strategy will be undertaken in consultation with tenants during 2016/17.

ii. Community Heat Metering

The community heat metering installation programme began in April 2014 and is set to take around 3 years to complete. By the end of March 2016 it is estimated that around 4,000 new meters will have been installed, increasing to around 6000 by the end of March 2017.

e) Financial Summary

The table below sets out the proposed indicative capital programme over the next 5 years of the business plan. It adds a new 'year 5' resource allocation for 2020/21 and the 2015/16 column shows the anticipated outturn.

HRA Programme	*2015/16 Outturn*	*2016/17*	*2017/18*	*2018/19*	*2019/20*	*2020/21*	*Total 2016-2021*
Essential investment work (health & safety, etc)	3.1	2.3	1.7	1.0	0.6	0.8	**6.4**
Adaptations & Access	1.9	1.9	1.9	2.0	2.2	2.5	**10.5**
Regeneration	2.1	0.8	0.0	0.0	0.0	0.0	**0.8**
Garages Capital	0.0	2.3	1.2	0.0	0.0	0.0	**3.5**
Waste	0.1	2.1	1.1	0.0	0.0	0.0	**3.2**
Community Heating	1.2	0.9	0.4	1.1	1.2	1.4	**5.0**
Area Investment Environmentals	2.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Heating & Insulation	9.5	10.9	7.1	7.6	8.1	8.3	**42.0**
Roofs & externals	26.6	28.7	25.7	23.1	13.3	11.6	**102.4**
Communal areas investment	1.8	6.6	6.0	3.4	5.2	5.0	**26.2**
Electrics	0.0	1.8	6.9	6.9	6.9	4.7	**27.2**
Kitchens, Windows, Bathrooms & Doors	1.1	11.7	11.3	7.3	6.6	17.3	**54.2**
Other planned elementals	0.1	0.3	2.0	2.0	4.3	0.0	**8.6**
Natural Slippage						(5.0)	**(5.0)**
Programme Management	3.4	3.2	3.2	3.2	3.2	3.2	**16.0**
Sub-Total Core Investment Programme	**52.9**	**73.5**	**68.5**	**57.6**	**51.6**	**49.8**	**301.0**
New Build and Acquisitions	19.4	25.3	18.1	16.9	17.3	13.1	**90.7**
Overall Total HRA Programme	**72.3**	**98.8**	**86.6**	**74.5**	**68.9**	**62.9**	**391.7**

The repairs budget is set out in Appendix B.

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, and estate services.

b) Risks

A requirement in the Housing and Planning Bill for social housing landlords to charge a higher rent for higher earners has the potential to bring with it significant resource implications for some tenant services in the coming years although the absence of information from Government about how the policy will work make the costs impossible to quantify at this time.

The Summer Budget set out the Government's intention to review the use of lifetime tenancies. Provisions for this are contained in the Housing and Planning Bill. This has the potential to adversely affect the sustainability of traditional council estates and will be considered for next year's review.

The implementation of the Housing Plus model will involve a restructuring of many parts of the Housing and Neighbourhoods service to improve the experience of and the support available to tenants. This process will be managed carefully to minimise disruption to services during the transition.

c) Key Developments

i. <u>Income Management</u>

For the three years 2012/13- 2014/15 the budget for rent collection and the support of tenants through welfare reform rose significantly. Supporting tenants through Welfare Reform has included:

- Supporting tenants to claim Discretionary Housing Payments – 2,161 applications in 2015/16 (as of November 2015)
- Administration of the HRA Hardship Fund – in 2015/16 £73k payments made in November saving the HRA over £200k and helping more than 200 tenants remain in their home
- Continued work in preparing tenants for Universal Credit by providing advice and support on budgeting and managing their money.
- Establishing budgeting accounts for tenants – 44 accounts in use as of October 2015 with more being added all the time
- Funding for the independent debt advice worker which has resulted in 114 cases being referred between June 2014 and June 2015, with the project paying for itself in reduction of arrears alone.
- Supporting 117 tenants to downsize in the first 8 months of 2015/16

In 2016/17 the Council will be leading on the support in the city for tenants affected by Universal Credit. Two support areas identified by the Department for Work and Pensions are budgeting support and digital inclusion.

A net pressure of £20k/ annum has been factored into the business plan from 2016/17 in response to a consultation in January 2015 by HM Court Service for an increase in court fees. Separately, a move from quarterly to annual rent statements for most tenants is underway. The intention is for more tenants to receive their statement annually to make savings on stationery, staff time, printing and postage**.**

ii. Make Best Use of Homes

Cabinet approved a new Allocations Policy in March 2013. Some elements of the policy have already been introduced as amendments to the current Lettings Policy pending implementation of the new policy in April 2016. The 2015/16 Cabinet approved budget for Allocations Policy implementation in 2015/16 was £115,000 with expected efficiencies of £50,000 per annum related to vacant rent loss applied to future years. Delays to the project mean a budget of £99,500 will now be required to cover the first 3 months of 2016/17.

Aspects of the new policy which have been gradually incorporated into the current policy include re-designation of age designated properties, changes to the registration process and re-housing restrictions for those re-housed less than two years ago. These changes will lead to more stable communities whilst reducing the number of properties that will need re-letting and any associated repair costs and rent loss.

A new Choice Based Lettings (CBL) ICT system has been in operation since October 2013. This system is being developed so it will support the new allocations policy and will be in place for April 2016 in line with the implementation of the policy.

iii. Housing Plus

Housing Plus proposals were approved in March 2014 in order to establish a value for money council housing service which supports the Council's strategic objectives and design principles. Work has been on-going since then to continue to develop the Housing Plus approach through the test phase in the South East of the city with key processes being designed for this new way of working. The implementation of Housing Plus is expected from April 2016.

The anticipated long term financial benefits to the HRA remain broadly the same as set out in last year's update. Revisions have been made in order to update cost and saving forecasts.

Housing + Summary	2014/15 outturn	2015/16	2016/17	2017/18	2018/19 onwards
Costs	£ 285,484	£ 1,456,000	£ 1,339,049	£ 505,600	£ 283,100
Savings	£ -	£ -	£ 300,487	£ 637,512	£ 791,462
Net	**£ 285,484**	**£ 1,456,000**	**£ 1,038,562**	**-£ 131,912**	**-£ 508,362**

The budget for the new Housing Plus model, once implemented, has been assumed to be the baseline (do nothing) budget. As the project approaches the implementation phase we are able to more accurately anticipate the costs of the new service and have reduced planned budgets to release a small ongoing saving for the HRA. The true cost of the service will not be known until all the recruitment, selection and VER/ VS processes have concluded.

iv. Attractive Neighbourhoods

Green and Open Space Management

In October 2014, Cabinet approved the delivery of housing grounds maintenance by a single service, achieved by the transfer of housing estate officers to the Parks and Public Realm service, and on 1st May 2015 the new arrangements were implemented.

This transition means the transfer of £651,961 per annum direct costs from the Housing Service to Parks charged back through the Service Level Agreement, £42k savings built into budgets from 2015/16 as a result of the new integrated service and savings of £50k per annum for 3 years remaining profiled from 2016/17.

Waste Management

Since 2012, a number of estate services initiatives have commenced with the aim of tackling the high cost of fly-tipping and efficiently keeping estates tidy.

Initiative	Objective	Progress	Next Steps
Bulky Waste	Deliver savings to fund Education & Enforcement initiatives	2015/16 savings target expected to be exceeded.	Longer term the bulky waste service should collect from the homes for flats and maisonettes to reduce risk of abortive calls & duplication of effort.
Dry Stores	Improve safety and efficiency by linking bulky waste and new recycling facilities	380 dry stores across the city have been closed and budget reduced in line with this.	Budget to be reviewed as is dependent on recycling provision and the bulky waste collection service.
Investment in waste facilities	Reduce the incidence & cost of fly tipping and high cost of chute clearance	New tipping contractors have been procured.	Work to establish if the capacity at blocks and recycling provision is correct. Business case for chute closures to be developed.
Education & Enforcement	Reduce the incidence and high cost of fly tipping	Four temporary waste support officers started in May to undertake the 'Love Where You Live' campaign followed by a programme of education and enforcement in hotspot areas.	The success of the education & enforcement work to be evaluated as should reduce the amount of estate officer time spent clearing black bags /fly tipping from estates/ walkways and fewer calls to unblock chutes.

The business plan currently assumes a £100k budget for Education and Enforcement work. It is assumed this will continue into 2016/17 by which time the project will have been evaluated and decisions taken on the effectiveness of this work.

A review of estate services commenced in 2015/16 and will look to make proposals for the future service and how it is structured and delivered. The purpose of the review is to ensure we are providing an efficient estates service that offers the best outcomes for customers.

d) Other Developments

i. Community Fund ('Going Local')

In 2015/16 Going Local was replaced with a local Community Fund and a local enhanced maintenance allowance for the area. The criteria for the use of Community Fund monies has been reviewed this year and shared with Local Area Housing Forums. The areas' enhanced maintenance allowance process has also been developed.

ii. Digital Inclusion

Universal Credit is to be introduced in Sheffield from 2016 with an expectation by Government that the majority of applicants will make their claim online. The capability of council tenants to access the internet is therefore more important than ever. In 2015 just over 1,000 free IT classes have been delivered to 5000 attendees in Sheffield at 38 venues and to 700 unique learners as part of the Digital Boost Project. These classes have been delivered locally across the city and have been set-up and varied according to demand. It is proposed that this Digital Inclusion service will continue in 2016/17.

Work has taken place in 2015/16 with partners and area teams to identify community buildings that are suitable for installing communal Wi-Fi to ensure local sustainability. Two pilot sites will also allow us to test how we can make best use of this facility to benefit tenants and their households in the local area and will help to inform decisions on the roll out to other locations. This work forms part of the Council's wider digital inclusion agenda.

iii. Employability and Apprentice Scheme

Cabinet approved the establishment of a Housing Employability and Apprentice Scheme within the Council Housing Service on 18th March 2015.

20 apprentices have been recruited to a pilot apprenticeship scheme in 2015/16. The apprentice scheme will be developed year on year in line with the apprentice framework. The Housing and Neighbourhood Service has also been working with Lifelong Learning Skills and to provide direct work experience through the Ambition SCR scheme. The placements are referrals from the Job Centre for 18-24 year olds claiming Job Seekers Allowance and will be offered from all teams within Housing and Neighbourhood service.

e) Financial Summary

The tables below set out the profiled investment and savings for tenant services over the next 5 years of the business plan including the 2014/15 outturn and the anticipated outturn for 2015/16.

Income Management							
Additional Staff (2014)	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	+110,000	-	-	-	-	-	-
Savings	-	-46,000	-	-	-	-	-
Total investment & savings	**+110,000**	**-46,000**	-	-	-	-	-
Actual outturn	-	-	-	-	-	-	-
Forecast outturn	-	-	-	-	-	-	-
Debt Advice Worker	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	+5,000	+5,000	+5,000	+5,000	+5,000	-
Savings	-	-	-	-	-	-	-
Total investment & savings	-	**+5,000**	**+5,000**	**+5,000**	**+5,000**	**+5,000**	-
Actual outturn	-	-	-	-	-	-	-
Forecast outturn	-	-	-	-	-	-	-
Training on Welfare Benefits	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	-	+2,000	-	-	-	-
Savings	-4,000	-	-	-2,000	-	-	-
Total investment & savings	**-4,000**	-	**+2,000**	**-2,000**	-	-	-
Actual outturn	-	-	-	-	-	-	-
Forecast outturn	-	-	-	-	-	-	-
Jam Jar Accounts	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	+15,000	-	+2,000	+28,000	-	-	-
Savings	-	-11,000	-	-	-5,000	-5,000	-20,000
Total investment & savings	**+15,000**	**-11,000**	**+2,000**	**+28,000**	**-5,000**	**-5,000**	**-20,000**
Actual outturn	-	-	-	-	-	-	-
Forecast outturn	-	-	-	-	-	-	-
Direct Debit	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	+25,000	-	-	+25,000	-	-	-
Savings	-	-25,000	-	-	-	-	-
Total investment & savings	**+25,000**	**-25,000**	-	**+25,000**	-	-	-
Actual outturn	-	-	-	-	-	-	-
Forecast outturn	-	-	-	-	-	-	-
Texting	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	+20,000	-	+10,000	-	-	-	-
Savings	-	-10,000	-	-10,000	-	-	-
Total investment & savings	**+20,000**	**-10,000**	**+10,000**	**-10,000**	-	-	-
Actual outturn	-	-	-	-	-	-	-
Forecast outturn	-	-	-	-	-	-	-
Hardship Fund	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	+450,000	-	-	+300,000	-	-	-
Savings	-350,000	-	-	-	-320,000	-80,000	-
Total investment & savings	**+100,000**	-	-	**+300,000**	**-320,000**	**-80,000**	-
Actual outturn	178,093	-	-	-	-	-	-
Forecast outturn	-	137,708	-	-	-	-	-

Total Income Management	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	+620,000	+5,000	+19,000	+358,000	+5,000	+5,000	-
Savings	-354,000	-92,000	-	-12,000	-325,000	-85,000	-20,000
Total investment & savings	**+266,000**	**-87,000**	**+19,000**	**+346,000**	**-320,000**	**-80,000**	**-20,000**
Actual outturn	3,126,240	-	-	-	-	-	-
Forecast outturn	-	3,146,721	-	-	-	-	-

IMU Court Costs	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Additional court fees pressure	-	-	+20,000	-	-	-	-
Actual outturn	-38,290	-	-	-	-	-	-
Forecast outturn	-	-25,660	-	-	-	-	-

Supported Housing	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment (support for under-occupiers)	-	+5,000	+7,000	-	-	-	-
Savings (support for under-occupiers)	-22,000	-	-	-5,000	-	-	-7,000
Total investment & savings	**-22,000**	**+5,000**	**+7,000**	**-5,000**	-	-	**-7,000**
Actual outturn	2,142,713	-	-	-	-	-	-
Forecast outturn	-	2,319,844	-	-	-	-	-

Allocations Policy Implementation	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Increases to budget	+80,000	-	-	-	-	-	-
Reductions to budget	-	-105,000	-15,500	-	-	-	-
Total increase & reduction to budget	**+80,000**	**-105,000**	**-15,500**	-	-	-	-
Actual outturn	49,703	-	-	-	-	-	-
Forecast outturn	-	230,906	-	-	-	-	-

Housing+	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Project team	+334,000	-88,000	+4,000	-27,500	-222,500	-	-
VER/VS costs	-	+1,000,000	-1,000,000	-	-	-	-
Training and recruitment	-	+10,000	+84,200	-94,200	-	-	-
Mobile ICT hardware	-	+100,000	+398,037	-498,037	-	-	-
Mobile ICT licences, charges and support	-	+100,000	+396,812	-213,712	-	-	-
Total investment & savings	**+334,000**	**+1,122,000**	**-116,951**	**-833,449**	**-222,500**	-	-
Actual outturn	285,484	-	-	-	-	-	-
Forecast outturn	-	1,456,000	-	-	-	-	-

Vacants Management	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Savings: H+ non-staff savings (admin costs)	-	-	-983	-983	-983	-	-
Savings: H+ non-staff savings (B&Q vouchers)	-	-	-2,360	-2,360	-2,360	-	-
CBL vacant management efficiencies	-32,000	-	-	-	-	-	-
Total investment & savings	-32,000	-	-3,343	-3,343	-3,343	-	-
Actual outturn	1,613,123	-	-	-	-	-	-
Forecast outturn	-	-	-	-	-	-	-

Rehousing	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Non-staff cost savings (turnover): admin	-		-2,623	-2,622	-2,622	-	-
Total savings	-	-	**-2,623**	**-2,622**	**-2,622**	-	-
Actual outturn	1,102,408	-	-	-	-	-	-
Forecast outturn	-	1,164,485	-	-	-	-	-

Tenant Services - Green Open Space							
Open Space SLA - Total	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	+597,630	+54,331	-	-	-	-
Savings	-	-42,000	-50,000	-50,000	-50,000	-	-
Total investment & savings	-	**+555,630**	**+4,331**	**-50,000**	**-50,000**	-	-
Actual outturn	2,218,006	-	-	-	-	-	-
Forecast outturn	-	2,698,518	-	-	-	-	-

HRA Cleared Sites	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	-	-	-	-	-	-
Cleared sites savings	-50,000	-50,000	-	-10,000	-	-10,000	-15,000
Total investment & savings	**-50,000**	**-50,000**	-	**-10,000**	-	**-10,000**	**-15,000**
Actual outturn	249,981	-	-	-	-	-	-
Forecast outturn	-	200,000	-	-	-	-	-

Estate and Environmental Services							
Bulky Waste	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	-	-	-	-	-	-
Savings	-45,000	-55,000	-	-	-	-	-
Total investment & savings	**-45,000**	**-55,000**	-	-	-	-	
Actual outturn	105,145	-	-	-	-	-	-
Forecast outturn	-	135,295	-	-	-	-	-
Dry Stores	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	-	-	-	-	-	-
Savings	-54,000	-50,000	-	-	-	-	-
Total investment & savings	**-54,000**	**-50,000**	-	-	-	-	-
Actual outturn	138,583	-	-	-	-	-	-
Forecast outturn	-	73,197	-	-	-	-	-
Education and Enforcement	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	-	-	-	-	-	-
Savings	-50,000	-	-	-	-	-	-
Total investment & savings	**-50,000**	-	-	-	-	-	-
Actual outturn	46,688	-	-	-	-	-	-
Forecast outturn	-	140,507	-	-	-	-	-

Tipping Charges	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Budget pressures (landfill charge/contract costs)	-	+27,000	+24,000	-	-	-	-
Savings	-38,000	-		-36,000	-36,000	-	-
Total investment & savings	**-38,000**	**+27,000**	**+24,000**	**-36,000**	**-36,000**	-	-
Actual outturn	376,645	-	-	-	-	-	-
Forecast outturn	-	320,801	-	-	-	-	-
Estate and Environmental Services Team Savings Requirements	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Savings Requirement	**- 78,000**	**- 128,000**	**- 127,000**	**- 150,000**	**- 125,000**	**- 75,000**	**- 75,000**
Block Cleaning Investment	-	+50,000	+25,000	+25,000	+50,000	-	-
Staff savings from flytipping	-50,000	-49,000	-48,000	-	-	-	-
Total Investment & savings	-50,000	+1,000	-23,000	+25,000	+50,000	-	-
Savings requirement carried forward	**- 128,000**	**- 127,000**	**- 150,000**	**- 125,000**	**- 75,000**	**- 75,000**	**- 75,000**

Community Fund	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	-	-	-	-	-	-
Transfer to investment programme for communal areas	-	-200,000	-	-	-	-	-
Transfer from consultative budget	-	+42,000	-	-	-	-	-
Adjustment for new Enhanced Maintenance allowance	-	-70,000	-	-	-	-	-
Total adjustments to create Community Fund	-	-228,000	-	-	-	-	-
Consultative Budget	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	-	-	-	-	-	-
Transfer to Community Fund	-	-42,000	-	-	-	-	-

Tenant Services - Other							
Digital Inclusion	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	+15,000	-	-	-	-	-	-
Savings	-	-	-	-	-	-	-
Total investment and savings	**+15,000**	-	-	-	-	-	-
Actual outturn	20,331	-	-	-	-	-	-
Forecast outturn	-	32,164	-	-	-	-	-
Training and Employment	***2014/15***	***2015/16***	***2016/17***	***2017/18***	***2018/19***	***2019/20***	***2020/21***
Investment	-	-	-	-	-	-	-
Savings	-	-	-	-	-	-	-
Total Investment and savings	-	-	-	-	-	-	-
Actual outturn	739,626	-	-	-	-	-	-
Forecast outturn	-	514,144	-	-	-	-	-

6. DEBT & TREASURY MANAGEMENT

a) Overview

This section of the HRA Business Plan concerns the management of housing debt.

b) Risks

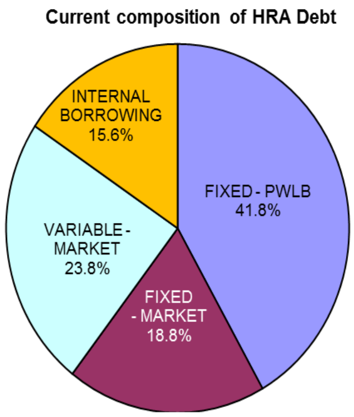
The HRA currently supports a Capital Financing Requirement of £350m of which nearly 40% is exposed to interest rate variations. The role of treasury management is to manage the HRA's exposure to interest rate fluctuation which is a key risk to the HRA Business Plan. However, it is also important to retain a degree of flexibility to take advantage of borrowing at low interest levels should opportunities arise.

c) Key Developments

i. Loan Portfolio

In 2012 the HRA had £122m internal borrowing. Internal borrowing is the Council's use of cash reserves to finance capital expenditure instead of borrowing.

By March 2014 internal borrowing had reduced to £47m and with the reduction the HRA benefited from reduced interest rate risk and more cost certainty for the loan portfolio. Since March 2014 internal borrowing has risen slightly as the Council has had sufficient cash reserves to fund expenditure without the need to borrow externally and invest cash with counterparties offering low returns.



The effect of the Government's recently announced rent reductions will be to quickly deplete these balances so there will be a need replace in full the internal borrowing with external borrowing . To help reduce the level of interest rate risk this borrowing would use fixed rate loans. It is currently expected that this will take place during 2016/17- 2017/18. In addition to this the HRA will have to take on new external borrowing between 2017/18- 2019/20 to fund the stock increase programme.

ii. Business Plan Viability

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 but has limited options to replace this borrowing within the 30 year timeframe due to the cost involved.

The rent reductions set out in the Welfare Reform and Work Bill reduce income into the plan and reduce the capacity of the plan to repay its debt. The risk of rising interest rates resulting in rising costs for the business plan as maturing debt is refinanced at higher rates will be mitigated by implementing further efficiency savings in the coming years.

iii. Borrowing Capacity

The HRA Business Plan is restricted in its borrowing by a debt cap imposed by Government. In late 2014/15 the HCA confirmed the City Council had been successful in bidding for £4m additional borrowing capacity taking total borrowing capacity to £44m.

The effect of the recently announced rent reductions will be to quickly erode cash reserves held by the HRA reducing the capacity of the HRA to fund viable self-financing schemes as well as its core investment programme. This creates a cash flow problem for the HRA in the next 5 years which is to be addressed by removal of the photovoltaic scheme from the programme, by allowing some natural slippage to planned programmes and by taking more time in planning and consulting on a future environmental improvements programme.

iv. Treasury Management Strategy

The aspiration of the business plan in relation to interest rate risk mitigation has been to make a transition from building the financial capacity for the repayment of debt over the 30 year life of the plan (which means that provision is typically back-ended) to a more robust approach whereby resources are set aside in line with the business plan’s actual debt maturity profile. The latter approach offers the following benefits;

- 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

It has been recognised that 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 but in 2015/16 a transition to this approach over the medium term was planned. In light of the Government’s rent reductions it will not now be possible to make such a transition, without significant impact on the investment programme, until efficiency savings have been made.

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 continue to be that the efficiency targets built into the plan are not realised or offset by the emergence of unplanned cost pressures.

c) Key Developments

i. Long term savings following the rent reductions

The Government's Summer Budget and particularly the 1% rent reductions has significant impacts on HRA income and the financial health of the business plan. The Council's response in this business plan update has been to identify a series of long term savings options which improve the health of the plan. However it is estimated that around £6m/ year more savings will be required to return the plan to a financially viable position.

The priority over the coming years would then be to implement the approved savings and put in place a plan for meeting the required savings over the medium-longer term.

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. By the 2015/16 update report only £155k savings remained to be made. These remaining savings will be made through Service Level Agreement (SLA) reviews and a Managing Employee Reductions (MER) process.

iii. Repairs and Maintenance Contract

The current council housing repairs and maintenance contract with Kier Services Ltd is due to end on 31st March 2017. A decision was made in March 2015 by Cabinet to insource the council housing repairs and maintenance service from 1st April 2017. 'Mobilisation' work is taking place during 2015/16 and 2016/17 with an estimated budget of up to £4m.

The insourced repairs and maintenance service is expected to be fully operational from 2017/18. It is assumed that under the new model any efficiencies generated from repairs to council housing will be reinvested in the HRA and the anticipated savings from 2019/20 described in the report to Cabinet in March are now built into the HRA Business Plan.

iv. Other back-office savings and cost pressures

In line with the forecasts made over the last two years' business plan reports the budget for insurance liabilities can now be reduced in 2016/17 as the insurance fund is now fully funded. This reduces costs by £1.5m in 2016/17.

Similarly one-off costs in 2015/16 for the refurbishment of office space and the new finance system can be removed in 2016/17.

A pressure of around £500k is anticipated from 2016/17 resulting from changes brought in by the Pensions Act 2014 to the National Insurance rates employers in the public sector have to pay from April 2016.

A review of Council overhead costs delivered a £530k saving to the HRA in 2015/16 which will be built into budgets from 2016/17.

Appendix B

Revenue Account

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2016-21
	Outturn						*Total*
INCOME (in £millions)							
Net income dwellings	(149.0)	(146.2)	(144.2)	(138.3)	(138.8)	(142.6)	(710.1)
Other income	(6.7)	(6.2)	(5.8)	(5.9)	(6.2)	(6.3)	(30.4)
Total	**(155.7)**	**(152.4)**	**(150.0)**	**(144.2)**	**(145.0)**	**(148.9)**	**(740.5)**

EXPENDITURE (in £millions)							
Homes - Repairs and maintenance	32.0	32.3	32.2	32.5	31.6	32.0	**160.6**
Homes - funding for Capital Programme	39.0	39.2	39.9	40.6	41.3	42.0	**203.0**
Tenant Services - Including Management	55.1	52.8	53.4	53.0	51.0	50.1	**260.3**
Interest on Borrowing	14.6	15.1	17.0	17.4	17.3	17.9	**84.7**
Total	**140.7**	**139.4**	**142.5**	**143.5**	**141.2**	**142.0**	**708.6**

Net Revenue Position	(15.0)	(13.0)	(7.5)	(0.7)	(3.8)	(6.9)	**(28.9)**

Opening Revenue Reserve	(10.7)	(5.3)	(5.4)	(5.6)	(5.7)	(5.9)
Net Revenue Position	(15.0)	(13.0)	(7.5)	(0.7)	(3.8)	(6.9)
Transfer to Capital Reserves	20.4	12.8	7.3	0.5	3.6	6.8
Closing Revenue Reserve	(5.3)	(5.4)	(5.6)	(5.7)	(5.9)	(6.0)

Appendix C

Capital Account

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2016-21
	Outturn						*Total*
EXPENDITURE (In £millions)							
Total	**72.3**	**98.8**	**86.6**	**74.5**	**68.9**	**62.9**	**391.7**

FUNDED BY (In £millions)							
Major Repairs / Capital Reserve	61.1	85.7	78.0	54.2	45.0	48.7	**311.6**
Additional Borrowing	0.0	0.0	0.0	14.3	19.2	10.7	**44.2**
RTB Receipts	9.5	9.9	6.6	5.5	4.3	3.1	**29.4**
Other capital contributions	1.7	3.2	2.0	0.5	0.4	0.4	**6.5**
Total Funding	**72.3**	**98.8**	**86.6**	**74.5**	**68.9**	**62.9**	**391.7**

Appendix D

City Wide average weekly rent by bedsize

Bedsize	Average weekly rent		Decrease	
	2015/16	2016/17		
Bedsit	59.25	58.66	£0.59	1%
1 bed	67.36	66.69	£0.67	1%
2 bed	76.63	75.87	£0.77	1%
3 bed	85.78	84.92	£0.86	1%
4 bed	93.43	92.53	£0.89	1%
Total (all bedrooms average)	76.11	75.35	£0.76	1%

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 2016

1. Unmetered Heat

Bedsize	Full heating		Partial heating	
	Current Prices £/week	Prices April 2016 £/week	Current Prices £/week	Prices April 2016 £/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 16	
New schemes				
Standard price	Unit charge Standing charge	pence per kwh £ per week	3.38 4.00	
	*Unmetered hot water charge	£ per week	0.70	

Note: For sheltered schemes communal heating costs are no longer identified as element within heating metering charges, these will be covered through sheltered scheme service charges moving forward)

*Only for dwellings where hot water cannot be measured through the meter

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	40,383
Homes - dwellings by 2043/44	34,995
Number of RTBs 2015/16	320
Total number of RTBs by 2044/45	5,120
Rents	-1% for years 1-4
Consumer Prices Index (CPI) of inflation	1.5% in 16/17, 2% from 17/18
Bad Debts	1% in 2015/16
Void rate	1.5% ongoing
Repairs	Increased by contractual inflation
HRA reserves are maintained in accordance with risk based reserves strategy	£5.3m in 2016/17

Debt assumptions	Assumption
Opening HRA Borrowing requirement on 1st April '15	£346m
HRA borrowing limit	£390m
Interest rates on HRA debt	4.5%