



Author/Lead Officer of Report: Louise Cassin,
Housing Business Plan Officer

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Report of: Executive Director, Place
Report to: Cabinet
Date of Decision: 17 January 2018
Subject: Housing Revenue Account (HRA) Business Plan
and HRA Budget 2018/19

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
- Expenditure and/or savings over £500,000		<input checked="" type="checkbox"/>		
- Affects 2 or more Wards		<input checked="" type="checkbox"/>		
Which Cabinet Member Portfolio does this relate to? <i>Neighbourhoods and Community Safety</i>				
Which Scrutiny and Policy Development Committee does this relate to? <i>Safer and Stronger Communities</i>				
Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 96				
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

Purpose of Report:

The report provides the 2018/19 update of the Housing Revenue Account (HRA) Business Plan. It includes proposals to:

- Continue to take a proactive approach to managing our neighbourhoods and supporting our tenants
- Prioritise investment into fire safety work including cladding, sprinkler systems and other fire safety measures
- Continue with our commitment of 1,000 new/replacement council homes, with potential to expand this further by an estimated 500 units over 5 years
- Continue to deliver improvements to our tenants' homes to make sure they continue to be well maintained over the next 5 years
- Keep our costs under control and explore HRA savings with the aim of

getting better value for money on contracts and paying for the services we use

Recommendations:

It is recommended that Cabinet recommends to the meeting of the City Council on 7 February 2018 that:

1. The HRA Business Plan report for 2018/19 as set out in the appendix to this report is approved
2. The HRA Revenue Budget 2018/19 as set out in the appendix to this report is approved
3. Rents for council dwellings including temporary accommodation are reduced by 1% from April 2018 in line with requirements in the Welfare Reform and Work Act 2016
4. A single rate for garage rents of £9.35 per week for a garage plot and £2.10 per week for a garage site will be applied to new garage tenancies from April 2018 and to existing garage tenancies once improvements have been made to existing garage sites and plots
5. The community heating unit charges will remain unchanged for 2018/19
6. The sheltered housing service charge will remain unchanged for 2018/19
7. Burglar alarm charges for 2018/19 will remain unchanged for 2018/19
8. Service charges for furnished accommodation will remain unchanged from April 2018

Background Papers:

Equalities Impact Assessment - Sheffield City Council Housing Revenue Account Business Plan 2018-2019 (*Appendix D within the HRA Business Plan 2018/19*)

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>Karen Jones</i>
		Legal: <i>Andrea Simpson</i>
		Equalities: <i>Louise Nunn</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>Laraine Manley</i>
3	Cabinet Member consulted:	<i>Cllr Jayne Dunn</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Louise Cassin</i>	Job Title: <i>Housing Business Plan Officer</i>
	Date: <i>8th January 2018</i>	

1. PROPOSAL

1.1 Summary

- 1.1.1 The report provides the 2018/19 update of the Housing Revenue Account (HRA) Business Plan.
- 1.1.2 This report also presents a 2018/19 revenue budget for the HRA.
- 1.1.3 A separate report on the Capital Programme, which includes the Council Housing Investment Programme 2018/19, will be considered by Cabinet on 14 February 2018. 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.

1.2 The HRA Business Plan

- 1.2.1 The HRA is the financial account of the Council as landlord. It is ring-fenced in law for income and expenditure in respect of council housing and housing land and certain activities in connection with the provision of council housing only. Other council services are funded through council tax and central Government support which benefits all citizens of Sheffield regardless of tenure.
- 1.2.2 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.
- 1.2.3 Each year the HRA Business Plan is reviewed and updated to set budgets and charges for the year ahead and to provide an updated 5 year plan in the context of a 30 year affordability profile.
- 1.2.4 The HRA operates within a national political context; therefore any changes within national housing policy can have a significant impact on the HRA Business Plan.

1.3 Summary of Key Changes

- 1.3.1
 - Housing and Planning Act 2016

The Housing & Planning Act 2016 included a number of significant changes impacting on council housing and its continued viability. There still remains considerable uncertainty about how or whether the Government intend to progress these proposals which include the introduction of fixed term tenancies and the sale of 'higher value' assets.

- Welfare Reform – Local Housing Allowance

Government announced in October 2017 that they would be dropping their plans to introduce the Local Housing Allowance (LHA) cap for both general needs social housing and supported housing. Although the announcement to drop the LHA cap will help to alleviate some pressure

both financially to the HRA and to tenants, the overall impacts of Universal Credit still remain.

The Government has carried out a review of funding for supported housing and is now consulting on proposals to introduce a new mechanism of setting rents for sheltered housing that will take into account the higher costs of older persons housing. The consultation also includes short term supported accommodation which may impact on the future rents we can set for temporary accommodation. Any proposals agreed by Government following consultation are expected to come into effect from April 2020.

- National Rents Policy

The Welfare Reform and Work Act 2016 included a statutory obligation on registered providers of social housing to reduce their rents by 1% per year, irrespective of inflation, for four years. This year will be the third year of applying the 1% reduction to our rents and this has had a significant impact on our business plan income. The Government announced in October 2017 that from 2020, social rents will return to a rent increase of the Consumer Price Index (CPI) + 1% for 5 years.

1.4 HRA Business Plan Priorities 2018/19

1.4.1 The key priorities for the HRA Business Plan 2018/19 are to:-

- Continue to take a proactive approach to managing our neighbourhoods and supporting our tenants
- Prioritise investment into fire safety work including cladding, sprinkler systems and other fire safety measures
- Continue with our commitment of 1,000 new/replacement council homes, with potential to expand this further by an estimated 500 units over 5 years
- Continue to deliver improvements to our tenants' homes to make sure they continue to be well maintained over the next 5 years
- Keep our costs under control and explore HRA savings with the aim of getting better value for money on contracts and paying for the services we use

1.4.2 The Housing and Neighbourhoods service has developed a vision which provides the framework for all the activity undertaken within the service. The vision includes a number of key themes and ambitions. The HRA Business Plan focuses on council housing activities that will feed into this wider housing vision.

1.4.3 The business plan will contribute to the Housing and Neighbourhoods Service themes and ambitions in the following ways:

Independence and Resilience

- Review customer access to our services

- Take a fresh approach to engagement
- Support tenants to deal with poverty and its causes
- Help tenants sustain their tenancies
- Build more specialist and supported housing
- Focus on community safety, enforcement and regulation
- Further improve fire safety

Sustainable and Attractive Neighbourhoods

- Create more new homes
- Invest in our stock
- Transform the repairs service
- Deliver changes to clean and green services
- Tailor neighbourhood housing services to local needs
- Contribute to the delivery of a new set of housing strategies
- Support locality working

Shaping Change

- Invest in our people
- Make better use of information
- Improve our use of technology
- Review our office accommodation
- Implement fairer charges
- Get best value from our shared services
- Support wider Council priorities

1.4.4 Further details under each of the key themes can be found within the HRA Business Plan priorities chapter within the HRA Business Plan 2018/19 appendix.

1.5 Investment Programme

1.5.1 The aim of the investment programme has been to create an affordable plan to match expected resources and to address as much of the higher risk backlog elements quickly in order to minimise costs overall.

1.5.2 The 5 year investment programme will continue to prioritise and deliver improvements to people's homes (kitchens, bathrooms, windows, doors, roofs, communal areas etc) to make sure homes continue to be well maintained.

1.5.3 Procurement efficiencies and prioritising works have helped to free up resources which have now been factored into the business plan. Any savings from the investment programme will help to contribute towards expanding the stock increase programme.

1.5.4 We are committed to maintaining our role as the largest social housing provider in the city and will continue to strategically plan for the best use of our current social housing stock as well as exploring new opportunities around our future housing stock. In 2018/19, alongside our commitment to 1,000 new council homes, we will also explore the potential to expand this programme. The number of any additional

homes to the programme will be dependent on the level of savings that can be made from the HRA, on our borrowing capacity and any additional funding such as grant and use of receipts. We estimate that this could lead to a further 500 units by 2023/24.

- 1.5.5 We also want to investigate options for acquiring new builds 'off-plan' or direct from developers. As part of the programme we will however, continue to build homes where there is appropriate land availability and are within our strategic housing market areas where demand is highest. We will also continue to acquire properties for sale on the open market as this still remains a flexible delivery mechanism.
- 1.5.6 The council housing stock increase programme is a key part to achieving the Council's wider Housing Strategy and contributes to delivering affordable homes to support growth in the city. The stock increase programme will feed into the Affordable Housing Programme once this has been developed.
- 1.5.7 In April 2017 the repairs and maintenance service transferred back into Sheffield City Council following a period of 15 years outsourcing to Kier. This year's focus has been to consolidate the service following the transfer. In 2018/19 we want to develop the repairs and maintenance service further by working with tenants to help us to develop a vision and further shape the service.
- 1.5.8 Further detail on the investment programme is available in the HRA Business Plan 2018/19 appendix report.

1.6 Financial Plan

- 1.6.1 The financial plan is based on a number of key assumptions to help us mitigate risks or changes that may occur in the coming year. All assumptions are reviewed and refreshed each year to reflect the changing economic environment in which the business plan operates.
- 1.6.2 In order to accommodate the investment programme, the HRA will need to support further borrowing but it will be a question of when this debt is taken and at what rate. This is closely monitored by active treasury management activity throughout the year.
- 1.6.3 The key considerations that shape these decisions are:
- The interest rate environment
 - The HRA's cash requirements for investment and debt management
 - Affordability in the context of the overall 30 year HRA Business Plan
- 1.6.4 The financial viability of the HRA Business Plan is measured by its ability to repay debt over 30 years. Mitigations previously factored into the business plan as a result of the 1% rent reduction remain factored into the plan for 2018/19. This is to ensure the plan is financially viable and secure over the 30 year life of the plan.

1.7 Financial Assumptions 2018/19

- 1.7.1 Dwelling rents for 2018/19 including temporary accommodation are to reduce by 1% in line with the Welfare Reform and Work Act 2016. This will be the third year of rent reductions as part of the Act. The 1% decrease is equivalent to an average reduction of £0.75 per week. Appendix C within the HRA Business Plan 2018/19 report sets out the average rents per house size in Sheffield.
- 1.7.2 The process of making all council housing rents equitable over time by letting vacant properties at the target rent level will continue. Currently the average rent is £0.84 less than 'target' compared with a difference of £0.90 last year.
- 1.7.3 The rent for a garage plot in 2018/19 will be £9.35 per week and the rent for a garage site will be £2.10 per week. These rents will apply to new tenants from the beginning of their tenancy. Existing tenants, where investment work is required to their plot/site will continue to pay their current rent until work to their garage has been completed. Existing tenants will be charged the new rent level if the location requires no work or a site survey identifies that the garage already meets the required standard. All garage tenants whose rent is to change will be given at least 28 days written notice of the change before it takes effect.
- 1.7.4 The community heating charges for 2018/19 will remain at the 2017/18 levels. A full breakdown of all community heating service charges is set out in appendix C within the HRA Business Plan 2018/19.
- 1.7.5 The sheltered housing service charge will remain unchanged for 2018/19.
- 1.7.6 The charge for burglar alarms will remain unchanged for 2018/19.
- 1.7.7 The furnished accommodation service charge will remain unchanged for 2018/19.

1.8 HRA Budget 2018/19

- 1.8.1 The HRA Business Plan 2018/19 report (at appendix A) sets out the recommended budget for 2018/19.

1.9 Forecast Outturn 2017/18

- 1.9.1 Regular revenue budget monitoring reports have been presented during the year to Cabinet. These have shown a more favourable outturn compared with the original budget and is shown at appendix A.
- 1.9.2 Further monitoring reports updating the 2017/18 position will be presented in accordance with the Council's budget monitoring timetables.

2.0 HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 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. They will contribute towards the Corporate Plan priorities of Thriving Neighbourhoods and Communities, Tackling Inequalities and being an In-touch Organisation.
- 2.2 The HRA Business Plan 2018/19 will help to contribute to the delivery of wider housing strategies and policies such as the Housing Strategy 2013-2023, the Homelessness Prevention Strategy 2017-22 and the Older People's Independent Living Housing Strategy 2017-22.
- 2.3 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 2018/19 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.
- 2.4 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.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 Tenants have been kept informed of developments in relation to the HRA Business Plan and updates around housing national policy such as the Housing and Planning Act 2016 via a number of communications. This has included the Housing and Neighbourhoods Panel (HANAP) and Citywide Forum. Tenants will continue to be updated on any developments in relation to national housing policy once any further updates are provided from Government and any Regulations affecting how change is to be implemented have been published.
- 3.2 This report will be discussed with tenant representatives at the Citywide Forum on 11 January 2018. Comments and views expressed will be offered verbally to the Cabinet meeting.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 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.
- 4.1.2 The Capital Programme report to Cabinet on 14 February 2018 will deal with any equalities considerations relating to the council housing investment programme.

4.1.3 Any in year proposed change in policy or service provision will require an individual EIA.

4.2 Financial and Commercial Implications

4.2.1 The 2018/19 budget is the seventh 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.

4.2.2 Any annual revenue surpluses on the account will continue to support the 30 year business plan.

4.2.3 The council housing capital programme will require the HRA to support 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 treasury management policy.

4.2.4 Further details on the council housing capital programme will be set out in the report to Cabinet on 14 February 2018.

4.2.5 Appendix A within the HRA Business Plan 2018/19 report details the initial 5 year projections for the HRA income and expenditure account. These are based on current assumptions and will be reviewed during 2018/19 in the light of any known changes.

4.3 Legal Implications

4.3.1 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 ringfence") are governed by Part VI of the Local Government and Housing Act 1989 (the 1989 Act). This formerly included provision for annual HRA subsidy paid by central Government to local housing authorities, as determined by the Secretary of State. HRA subsidy was abolished by the Localism Act 2011, which provided for the Secretary of State to 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.

4.3.2 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.

4.3.3 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.

4.4 Risk Management

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

4.4.2 The key risks to the business plan have been identified and are listed in the risk section of the appendix report. The business plan is based on our best assumptions; however key risks such as the transition to Universal Credit, interest rates, inflation and Brexit could have significant impacts to the business plan.

4.4.3 Following an assessment of the risks to the HRA in the coming 5 years it is proposed for 2018/19 for a reserve level of £5.3m.

4.4.4 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.

4.4.5 The long term viability of the plan is dependent on the delivery of additional savings that will be required in the coming years.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 Sheffield City Council has a statutory duty to produce an annual HRA Business Plan update, therefore no other alternative option was considered to producing this report.

6. **REASONS FOR RECOMMENDATIONS**

6.1 To optimise the number of good quality affordable council homes in the city;

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

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

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

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