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Report of: *Executive Director, Place*
Report to: *Cabinet*
Date of Decision: *15 January 2020*
Subject: *Housing Revenue Account (HRA) Business Plan and HRA Budget 2020/21*

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? 662				
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				

Purpose of Report:

The report provides the 2020/21 update of the Housing Revenue Account (HRA) Business Plan. It includes proposals to:

- Build more council homes and accelerate the current council housing stock increase programme
- Continue to prioritise investment in fire safety measures
- Broaden our tenant engagement and consultation channels/streams
- Plan a programme of environment works to improve future sustainability of

our neighbourhoods.

- Transform the way our customers are able to access the Housing and Neighbourhoods Service
- Develop a pre-tenancy support package/offer to new council tenants to help ensure they are able to sustain their tenancy
- Continue to review the costs and performance of services provided to the HRA to ensure value for money is achieved and the service continues to improve.
- Bring forward proposals for a charged gardening scheme for tenants who would like assistance with their garden and enhance our vacant gardens
- Review housing offices and community buildings to ensure these are being fully utilised by tenants and residents.
- Continue to deliver improvements to our tenants' homes to make sure they continue to be well maintained.

Recommendations:

It is recommended that Cabinet recommends to the meeting of the City Council on 5 February 2020 that:

1. The HRA Business Plan report for 2020/21 as set out in the appendix to this report is approved
2. The HRA Revenue Budget 2020/21 as set out in the appendix to this report is approved
3. Rents for council dwellings including temporary accommodation are increased by 2.7% from April 2020 in line with the Regulator of Social Housing's Rent Standard
4. Garage rents for garage plots and garage sites are increased by 2.7% from April 2020 for those garages tenants that have seen improvements. Garage rents for garage plots and sites will not be increased for garages that have not yet received improvements. This increase will be applied to individual units once garage improvement work has been completed.
5. The burglar alarm charge is £1.25 per week from April 2020. This is a reduction of £0.36 per week.
6. The community heating charge remains unchanged for 2020/21
7. The sheltered housing service charge remains unchanged for 2020/21
8. The furnished accommodation charge remains unchanged for 2020/21

Background Papers:

Appendix - Sheffield City Council Housing Revenue Account Business Plan 2020-2021

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: Karen Jones
		Legal: Andrea Simpson
		Equalities: Louise Nunn
<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, Executive Director of Place</i>
3	Cabinet Member consulted:	<i>Cllr Paul Wood</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: Janet Sharpe	Job Title: Director of Housing and Neighbourhoods
	Date: 6th January, 2020	

1. PROPOSAL

1.1 Summary

- 1.1.1 This report provides the 2020/21 update of the Housing Revenue Account (HRA) Business Plan and a 2020/21 revenue budget for the HRA.
- 1.1.2 A separate report on the Capital Programme, which includes the Council Housing Investment Programme 2020/21, will be considered by Cabinet on 19 February 2020. 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 Background

- 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) that the local authority is able to generate in its capacity as landlord.
- 1.2.3 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.
- 1.2.4 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 and 30-year affordability profile.
- 1.2.5 The review of the HRA Business Plan is a dynamic process which reflects the Council's ambitions to be an excellent landlord. This is not just something that we undertake once a year. We are already looking forward to the next twelve months and are working on further priorities to meet our tenants' expectations.
- 1.2.6 The recommendations in this report are based on the best information available at the time of writing – December 2019. In a period of significant political and economic change, it is possible that some of these assumptions may need to be revisited before the next annual update of the Business Plan. We will monitor any developments directly impacting proposals within this report. If significant changes affect service delivery or the viability of the Business Plan, then a further report will be brought back to Cabinet.

1.3 HRA Business Plan Future Sustainability

- 1.3.1 Across the country in recent years, challenging market conditions and national government policies and priorities for housing have stifled the delivery of Council affordable housing. In Sheffield, the number of new Council homes delivered has not matched the levels needed to meet the increasing demand for homes. The incomes of many people in the city fall well short of the money needed to be able to afford many rented homes. There is a lack of choice in the type of council homes available for those trying to access council housing as a result of Right to Buy and this is increasingly affecting the sustainability of the HRA Business Plan.
- 1.3.2 Since 1980, Sheffield has lost well over 32,000 council homes (particularly houses) due to Right to Buy. The result is that the mix of homes we have within our council housing stock has significantly changed. The ratio of houses to flats was previously much higher. This change has had a significant impact on the HRA Business Plan. Aside from the reduction in rental income as homes are sold, (in addition to the statutory rent reduction imposed by the Welfare Reform and Work Act 2016), there is an impact on management and maintenance costs, which are much higher for flats than for houses. Each year it becomes harder to make the savings necessary to avoid this having an impact on our ability to invest in council housing stock, meet housing demand and manage the estates.
- 1.3.3 The successful management of flats also comes with additional responsibilities in the post-Grenfell era. We have always taken fire safety seriously and have pro-actively reviewed our stock and our approaches following the tragic events in 2017. The Hackitt review recommendations were published in May 2018 and we have undertaken remedial works where required. We look forward to the outcome of the Government consultation report "Building a Safer Future" which we have responded to, and which followed the Hackitt Report recommendations. We will, however need to factor the costs arising from any resulting legislative requirements into our business plan forecasts once they become clear. This is clearly a significant, but necessary, further challenge to the sustainability of the HRA Business Plan unless additional Government funding can be secured.
- 1.3.4 The impact of Right to Buy is also having a lasting impact in our neighbourhoods. Council houses on many of our estates have now been sold. Often these properties end up on the private rented market and are not managed and maintained effectively. We are therefore experiencing increased demand for a wide variety of services in neighbourhoods which go beyond traditional council housing management. This is creating additional cost pressures. We need to review how this demand is managed and costed as part of our plans for neighbourhood management in the future. We are and will also continue to challenge Government on the wider impact Right to Buy creates.
- 1.3.5 Alongside all of this, we are experiencing an increased demand for more

specialist housing provision. We recognise that our tenants have a variety of needs and aspirations and access services from across the City Council. We want to make that experience as seamless as possible and are keen to explore how we tailor our housing services to meet the more specialist needs of our tenants, delivering these in partnership with colleagues across the council.

- 1.3.6 All of these complex interrelationships within the HRA Business Plan mean that forecasting long-term demand for services and the resultant financial viability is difficult, and subject to change. Demand for services is increasing and whilst the Council does have more freedom to borrow, this does have to be affordable and prudent. It also means that, on occasions, there will be choices to make in order to balance resources against demands.

1.4 Summary of Key Changes

1.4.1 - National Rent 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. As a result of this policy, the HRA in Sheffield has lost 13% of its income over the life of the plan which has had a significant impact on the business plan.

The four year period ends on 31 March 2020. The Regulator of Social Housing's Rent Standard makes provision for an annual increase in social housing (including local authority) rents of CPI +1% with effect from 6 April 2020.

We recognise that a return to a CPI + 1% rent increase each year will mean tenants having to pay more to rent their homes from the Council. However this increased business plan income is vital if we are to maintain services to tenants and develop more social housing to address the needs of local people. The return to a rent increase will not mitigate the losses of the past five years and means that we are now setting rents at a lower baseline than we otherwise would have been.

Previous government guidance on social rents policy of CPI + 1% was intended to apply for 10 years from 2015 but only lasted a year before the statutory decrease came in. There is a subsequent risk that this future rent policy may change again.

- HRA Borrowing Cap

In October 2018 the Government issued a Determination lifting the HRA debt cap. This provides us with more freedom and flexibility to undertake additional borrowing subject to the principles of the Prudential Code for Capital Finance in Local Authorities of affordability, sustainability and prudence. Primarily this borrowing freedom will help us in our commitment to deliver more affordable housing in the city. We are proud

to say we have been one of the few local authorities to work directly with the Government for some years on the opportunities that could be created by lifting the HRA borrowing cap.

However, we can only use this flexibility to finance activities that generate sufficient income for the HRA to offset the upfront capital and management costs associated with the investment within the HRA business planning horizon. Using the borrowing capacity in any other way will bring additional financial risk to the HRA Business Plan. As part of our stock increase programme and the New Homes Delivery Plan we will continue to assess our options in terms of land availability, land purchase and our disposals strategy as well as investigating other opportunities to deliver more affordable housing in the areas where we have significant gaps in affordable housing provision in the city.

- Welfare Reform

Welfare Reform represents the biggest change to the benefits system in a generation. Supporting our tenants through Welfare Reform and, the transition to Universal Credit in particular, continues to be a key priority. The roll out of Universal Credit commenced in Sheffield in November 2018 for new benefit claimants. Migration of existing claimants in Sheffield is expected to take place between 2020 and 2023. Our forecast on rent arrears as a result of Universal Credit is lower than initially thought. Provisions remain in place to help and support our tenants who are transitioning to Universal Credit and hopefully this will help to reduce our rental arrears further as a result of Universal Credit. We will continue to review and monitor this throughout 2020/21.

- Build a Safer Future: Independent Review of Building Regulations

The independent review of building regulations and fire safety (The Hackitt Report) was published in 2018. The report's findings were that:-

"the current system of building regulations and fire safety is not fit for purpose and that a culture change is required to support the delivery of buildings that are safe, both now and in the future."

The Hackitt report set out over 50 recommendations for the delivery of a robust regulatory system. The government carried out a consultation, "Building a Safer Future", on its proposals in response to these recommendations in June/July 2019 and we responded to it. The outcome of the consultation and any resulting legislative proposals or prospective timetable is not yet known.

We will take a pro-active approach to ensure we comply with any resultant legislative requirements to the way we manage and maintain our council housing homes but initial assessment of the challenge indicates that financial support is needed from Government and we will

be making a case for this with Government. Investment in sprinklers, fire alarms, fire doors, combined with a robust regime of managing schemes / inspections, will cost an estimated £40m and without grant support may require priorities in the investment plan to be revisited.

We have now completed the recladding works on Hanover tower block with active support from the community and we are also currently undertaking some best practice work with government to improve tenant and resident involvement and to ensure people know what to do if a fire occurs.

- A New Deal For Council Housing (Green Paper)

In August 2018, the Government issued for consultation a Green Paper, A New Deal for Council Housing, proposing fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it. The paper set out five principles which would underpin a new, fairer deal for social housing residents.

Our response to the Government's proposals reflected the views of our tenants. It supported some of the proposals, but also offered a note of caution as to the potential effectiveness of others.

Since submitting our response alongside thousands of responses from other local authorities, housing providers and individuals, there has been little update from Government. We will continue to monitor for any future developments arising from the paper throughout 2020/21.

- 1.4.2 Throughout the last year we have worked alongside the Association for Retained Council Housing (ARCH) and the Northern Housing Consortium to challenge Government on a range of housing issues. This has included, use of Right to Buy receipts, the lifting of the HRA borrowing cap, freedoms and flexibilities for the HRA and Right to Buy policy. We have also responded to Government consultations such as the Green Paper and Fire Safety as detailed in section 1.4.1. We are also a key partner in a number of Government working groups and Government Pilots to improve the quality of homes and services provided. In 2020/21 we will continue to play an active role in challenging the Government on the issues we believe are important to tenants and the future sustainability of the business plan.

1.5 The Local Impact of National Policies

- 1.5.1 The impact of the changing national policy environment described above is likely to be significant on the way that we deliver services in the city. The impact of new regulations in Fire Safety following Grenfell, the potential for increasing our social housing stock, the changing needs of our tenants and the way in which our neighbourhoods and estates are evolving as a result of Right to Buy, mean that we have to change the way we operate our business and cost model.

- 1.5.2 Fire safety remains a key investment priority and work will continue in 2020/21 to implement our scheme of fire safety improvements. We are also undertaking some best practice work with Government to improve resident involvement and make sure people know what to do if a fire occurs. We want to ensure that our tenants are safe and that their homes continue to comply with relevant legislation.
- 1.5.3 A key priority is also to make sure our existing stock continues to be well maintained. Many of the estates are in need of investment which we are prioritising through planned investment programmes and by reviewing our stock information that underpins the 30 year Housing Investment Plan. We are working closely with tenants to prioritise the mainstream capital programme to plan and deliver improvement works that will ensure long-term tenant satisfaction and neighbourhood sustainability.
- 1.5.4 A final key priority for us is to accelerate our stock increase programme to help replenish our stock lost through Right to Buy and ensure we have the right homes and in the right places. This is not just about a wholesale increase in numbers; it's about having the right mix of property types and tenures in the right locations to support the economic and social growth of Sheffield.
- 1.5.5 We also recognise the impact that housing can have in addressing the climate change emergency. Sheffield has set an ambition to become a zero carbon city by 2030. This will require changes in the way that we manage our existing housing stock, cost and policy implications and our plans for investing in new council homes.
- 1.5.6 All these priorities do come at a cost however. Our investment will need to be carefully planned if we are to use the limited resources available to us to meet these and other priorities. We cannot simply carry on delivering services in the same way as we have done previously – there isn't the investment available to do this. A comprehensive review of the HRA Business Plan will be required in 2020/21 to address potential pressures unless Government funding is secured to ensure that the Business Plan remains sustainable.

1.6 HRA Business Plan Priorities 2020/21

- 1.6.1 The key priorities for the HRA Business Plan 2020/21 are to:
- Build more council homes and accelerate the current council housing stock increase programme.
 - Continue to prioritise investment in fire safety measures.
 - Broaden our tenant engagement and consultation channels/streams.
 - Plan a programme of environment works to improve future

sustainability of our neighbourhoods.

- Transform the way our customers are able to access the Housing and Neighbourhoods Service.
- Develop a Pre-Tenancy support package/offer to new council tenants to help ensure they are able to sustain their tenancy.
- Continue to review the costs and performance of services provided to the HRA to ensure value for money.
- Bring forward proposals for a charged gardening scheme for tenants who would like assistance with their garden and enhance our vacant gardens.
- Review housing offices and community buildings to ensure these are being fully utilised.
- Continue to deliver improvements to our tenants' homes to make sure they continue to be well maintained.

1.6.2 The key priorities for the HRA Business Plan 2020/21 will continue to feed into the wider Council and Housing and Neighbourhoods vision and framework.

1.6.3 Further details of the key themes can be found within the priorities chapter within the HRA Business Plan 2020/21 appendix report.

1.7 Investment Programme

1.7.1 The aim of the investment programme is to effectively use capital and planned expenditure on our housing stock to improve tenant's homes, encourage sustainability and to reduce future revenue repair costs.

1.7.2 The 5-year investment programme will continue to prioritise work that keeps people safe and it will deliver improvements to people's homes (kitchens, bathrooms, windows, doors, roofs, communal areas etc.) to make sure they continue to be well maintained.

1.7.3 Other key investment priorities for 2020/21 will include continuing to implement fire safety works including sprinklers and fire stopping works on the tower blocks, continuing to invest in roofing replacement and electrical upgrades. During 2020/21 work will complete to develop and consult on a plan for environmental improvements and improvements to maisonette blocks to enhance the sustainability of our estates.

1.7.4 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 the growth in the city. Last year the HRA Business Plan committed to delivering an additional 1,600

council homes by the end of 2023/24.

- 1.7.5 The lifting of the debt cap has provided us with more freedom and flexibility to undertake additional borrowing. This additional borrowing will help us in delivering more council housing within the city. As a result, in October 2019 the Cabinet Member for Neighbourhoods and Community Safety made a decision on “*Principles for Increasing the Council’s Stock Increase Programme*” which included approval of the principle of increasing delivery by an additional 1,500 new homes. This takes the ambition for the total number of new homes to 3,100 over the next 10 years.
- 1.7.6 The additional council homes will include a greater range of homes to meet the significant shortfall of some types of homes that the Council has available for letting. This will include:
- New Extra Care Housing (Older Persons Independent Living with Care)
 - Homes for Younger People
 - Family Accommodation
 - Accommodation for specific needs including learning disabilities schemes
 - New Interim Temporary, Supported Housing Accommodation
- 1.7.7 We will continue to explore a range of different delivery options in order to maximise the delivery and retention of units for social rented housing. Options include: building on the Council’s housing land (held for the purposes of Part II of the Housing Act 1985 and accounted for in the HRA), acquiring homes for sale, purchasing “off plan” from private sector developers, acquiring properties from private developers, and acquiring land for the purpose of building new council homes.
- 1.7.8 An affordable housing policy statement will be presented to Cabinet in 2020. It will set out the city’s ambitions for affordable housing and how the Council will use its own resources and work with the private sector to ensure that this is delivered. The HRA Business Plan will support and inform these ambitions and those formulated in wider relevant Council strategies and policies.
- 1.7.9 The Housing Repairs and Maintenance Service has faced challenges in delivering expected levels of performance with planned repairs and vacant repairs which has affected rent loss performance. Action is being taken to address these concerns to deliver improvements in 2020/21.
- 1.7.10 During 2018/19 and 2019/20 a review of the operating model of the Housing Repairs and Maintenance Service was carried out to identify operational and service improvements that can be made to the repairs service. In the Spring 2020 work will commence to implement a new service operating model. It is anticipated this reshaping will take at least 12 months to complete. The new service model will deliver financial

benefits to the HRA to be reinvested into HRA services.

- 1.7.11 Further detail on the investment programme is available in the HRA Business Plan 2020/21 appendix report.

1.8 Financial Plan

- 1.8.1 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.
- 1.8.2 Borrowing must comply with the provisions of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, made under the Local Government Act 2003, which require the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure within a clear framework that the capital investment plans of local authorities are affordable, prudent and sustainable and that decisions are taken in accordance with good professional practice.
- 1.8.3 2020/21 will see an increase in rents by CPI + 1% for the first time in four years. However this will not mitigate the income lost over the last four years. Mitigations previously factored into the Business Plan will remain to help ensure the plan is financially viable.

1.9 Financial Assumptions

- 1.9.1 Rents for council dwellings including temporary accommodation are to be increased by 2.7% from April 2020 in line with the Regulator of Social Housing's Rent Standard. This is equivalent to an average increase of £1.98 per week. Appendix C to the HRA Business Plan 2020-2021 report sets out the average rents per house size in Sheffield.
- 1.9.2 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 £0.73 less than 'target' compared with a difference of £0.79 last year.
- 1.9.3 Garage rents for garage plots and garage sites will be increased by 2.7% from April 2020 in line with dwelling rent increases, for those garage tenants that have seen improvements. Garage rents for garage plots and sites will not be increased for garages that have not yet received improvements. This increase will be applied to individual units once garage improvement work has been completed.
- 1.9.4 The burglar alarm charge from April 2020 will reduce from £1.61 per week to £1.25 per week (a reduction of £0.36). This reduction reflects revised costs as a result in a change in provider for the installation and

maintenance of burglar alarms.

- 1.9.5 The sheltered housing service charge will remain unchanged for 2020/21 following a review of the enhanced service.
- 1.9.6 The furnished accommodation charge will remain unchanged for 2020/21 following a review of the performance of the trading account.

1.10 Community Heating Charges

- 1.10.1 The community heating standing charge and kWh charge will remain unchanged for 2020/21.
- 1.10.2 The Council's heat metering scheme which began in 2014 has proven to be very successful. Since the introduction of smart meters, our customers are now saving around 43% on their heating bills compared to their previous unmetered supply. The system also provides us with comprehensive data about how each home is using their heating and gives us the ability to support and advise tenants who might be worrying about switching on their heating. This is enabling us to support individuals more and intervene earlier where required.
- 1.10.3 Feedback from our customers has been very good and the overall infrastructure to administer/manage the scheme i.e. service provision collecting payments has gone smoothly and operating very effectively, particularly relating to the options we have been able to offer customers and the reliability of systems.
- 1.10.4 A full breakdown of all community heating service charges is set out in Appendix C to the HRA Business Plan 2020/21.

1.11 HRA Budget 2020/21

- 1.11.1 Appendix A to the HRA Business Plan 2020/21 sets out the recommended budget for 2020/21.

1.12 Forecast Outturn 2019/20

- 1.12.1 Revenue budget monitoring reports have been presented during the year to Cabinet. The latest position is shown at appendix A to the HRA Business Plan 2020/21.
- 1.12.2 Further monitoring reports updating the 2019/20 position will be presented in accordance with the Council's budget monitoring timetables.

2. 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 2020/21 will continue to contribute to the delivery of wider housing strategies and policies such as the Housing Strategy 2013-2023, the New Homes Delivery Plan 2018-2023, 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 2020/21 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 via a number of communications. This has included the Housing and Neighbourhoods Advisory Panel (HANAP) and Housing and Neighbourhoods Partnership meetings.
- 3.2 Consultation on Business Plan activities takes place throughout the year as part of our formal tenant governance activities. This helps us to understand what tenants think about the delivery of current services, but also to identify their priorities and shape future service needs.
- 3.3 A special HANAP meeting is taking place in January 2020 to consider the proposals within this Cabinet report. This report will also be discussed with tenant representatives at the Housing and Neighbourhood Partnership meeting on 9 January 2020. Any relevant 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 A full Equalities Impact Assessment (EIA) has been completed for these Business Plan proposals. Issues raised will be addressed through regular monitoring against actions in the EIA.
- 4.1.2 The Capital Programme report to Cabinet on 19 February 2020 will deal with any equalities considerations relating to the council housing

investment programme.

4.1.3 A separate EIA was completed as part of the Individual Cabinet Member report – Principles for Increasing the Council’s Stock Increase Programme.

4.1.4 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 2020/21 budget follows the principles set out in the original self-financing HRA Business Plan produced in 2012 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 including the stock increase programme will require the HRA to support further borrowing as allowed under the current Government guidelines. 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 19 February 2020.

4.2.5 Appendix A within the HRA Business Plan 2020/21 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 2020/21 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.
- 4.3.4 In February 2019 the government published a policy statement on rents for social housing from 1 April 2020 onwards and, pursuant to powers under section 197 of the Housing and Regeneration Act 2008, issued the Direction on the Rent Standard 2019. This required the Regulator of Social Housing to set a new rent standard, consistent with the Rent Policy Statement, with effect from 1 April 2020. The Direction applies to the Regulator in relation to the rents of all registered providers of social housing, including local authorities, and revokes and replaces a 2014 Direction which applied only to the rents of private registered providers. The requirement that the Council's rent increases be in accordance with government rent policy is not itself new but with effect from 1 April 2020 this will be secured through a regulatory standard.

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 and inflation could have significant impacts to the Business Plan.
- 4.4.3 Given these risks, it is proposed that a mid-year review of the Business Plan is carried out and brought back to Cabinet only if significant changes affect service delivery or viability.
- 4.4.4 Following an assessment of the current risks to the HRA in the coming 5 years it is proposed for 2020/21 for a reserve level of £5.6m. This was assessed in November 2019. There is the potential that significant political and economic changes could occur in the early lifetime of this

plan; therefore it is proposed that the reserve level is monitored throughout the year with the flexibility to change this within the year if required.

- 4.4.5 The main viability test for the Business Plan is its capacity to repay debt over the life of the plan. Having this capacity provides cover for interest rate rises and mitigates the need to refinance borrowing in times of high interest rates.
- 4.4.6 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 balanced HRA budget, which is evidenced by the Business Plan update, therefore no 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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