



Report to Policy Committee

Author/Lead Officer of Report: Janet Sharpe,
Director of Housing

Tel: 0114 2735493

Report of: Executive Director, Operational Services
Report to: Housing Policy Committee
Date of Decision: 15 September 2022
Subject: Housing Revenue Account (HRA) Business Plan 2023/24

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given?				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

Purpose of Report:

The report provides an update of the key national and local contextual influences on the development of the Housing Revenue Account (HRA) Business Plan 2023/24. It includes an explanation of the legal and financial framework governing the creation of the HRA Business Plan along with an assessment of associated risk. It sets the scene for a more detailed exploration of the potential options for delivering a balanced HRA Business Plan to be considered by this Committee in November 2022.

Recommendations:

It is recommended that the Housing Policy Committee: -

1. Notes the HRA Business Plan update and wider national and local influences as described in this report
2. Recommends that a further HRA Business Plan 2023/24 report to be presented at the Housing Policy Committee in November 2022 including recommendations around the rent increases for 2023/24, the HRA budget for 2023/24 and savings proposals for 2023/24.

Background Papers:

None

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: Helen Damon
		Legal: Stephen Tonge
		Equalities & Consultation: <i>n/a</i>
		Climate: <i>n/a</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>Ajman Ali</i>
3	Committee Chair consulted:	<i>Cllr Douglas Johnson</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 Committee 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>Janet Sharpe</i>	Job Title: <i>Director of Housing</i>
	Date: 7 th September 2022	

1. PROPOSAL

1.1 Summary

1.1.1 The report provides an update of the key national and local contextual influences on the development of the Housing Revenue Account (HRA) Business Plan 2023/24. It includes an explanation of the legal and financial framework governing the creation of the HRA Business Plan along with an assessment of associated risk. It sets the scene for a more detailed exploration of the potential options for delivering a balanced HRA Business Plan to be considered by this Committee in November 2022.

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 and social policy can have a significant impact on the HRA Business Plan. Some of these key changes are set out in section 3.

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 but an ongoing dialogue with tenants to identify investment and service priorities that will improve the quality of homes and services provided.

1.2.6 The recommendations in this report are based on the best information available at the time of writing – August 2022.

1.3 Summary of key national considerations

1.3.1 • The Cost-of-Living Crisis and Rising Inflation

The UK is currently experiencing sharp increases in the cost of living with prices of food, energy, and other essential goods exceeding increases in household income. Inflation rates are predicted to rise throughout the rest of 2022, and this will have significant impact on both our tenants and the HRA

Business Plan. Rising living costs mean many tenants are facing increasingly difficult financial situations, and rent accounts are becoming increasingly complex to manage. The Government have responded by making some provisions that aim to support lower income households such cost-of-living payments and support with rising energy costs. We continue to provide support for tenants who may be struggling financially. We have developed a tailored service for different customer groups, helping those in need of support to manage their money and navigate commitments to rent and other charges. We are also continuing to collaborate and work with the Department of Work and Pensions (DWP), Children's Services, and charities to ensure our tenants and their families are adequately supported.

Rising inflation levels are also directly impacting the HRA. Increasing costs in materials will have an impact on our investment and maintenance programmes of works, making some key areas of investment within the current business plan now unaffordable. This is a key part of this year's update and some difficult choices on which of our future priorities and plans.

1.3.2 • **Social Housing Rent Increases 2023/24**

Rents for council dwellings are set in line with the Regulator of Social Housing's Rent Standard which is currently September's Consumer Price Index (CPI) + 1%. This is the maximum amount rent levels can be increased under current Government policy. Rent increases support the delivery of planned activity. Last year's business plan included a rent increase of 4.1% (September 2021 CPI 3.1% + 1%).

The Government launched a consultation on a temporary amendment to the Rent Standard for 2023/24 on 31st August 2022. This new Direction, if approved, would require the Regulator to amend its Rent Standard so that the current CPI+1% limit on annual rent increases would be subject to a ceiling from 1 April 2023 to 31 March 2024. The draft direction is based on setting the ceiling at 5%. This would act as an upper limit on the maximum permitted annual rent increase a Registered Provider is allowed to implement. Registered Providers would be permitted to increase rents by 5% or CPI+1%, whichever is the lower. However, within this consultation, the government are seeking views on 3%, 5% and 7% as ceiling options. There are exemptions proposed to the ceiling for new homes and vacant properties upon reletting. The consultation period runs until 12th October 2022.

As the HRA's main source of income is from rents, the financial strategy has been to increase the rent each year in accordance with the Government policy. This is to help ensure the HRA can afford all planned investment activities and fulfil our commitments. At the time of writing this report, we do not know what the September CPI rate is, however, what we do know based on the current trend data is that CPI is much higher than it has been in more recent years. The CPI in July 2022 was 10.1% and there is a high possibility of this further increasing over the next few months with predictions of up to 11% or 12% by September 2022.

There are significant financial pressures that the 2023/24 HRA Business Plan will have to address including rising significant cost inflation, materials and purchasing constraints and pressures on cost of living. If the rent is set at below the September CPI rate, this will have an impact on our planned activities and in some circumstances mean we are no longer able to deliver everything we have planned to do. A rent increase of below CPI+1% does have a significant impact on the business plan, as the rent 'lost' is a permanent reduction to the rent base.

1.3.3 • **Welfare Reform**

The number of council housing tenants in Sheffield on Universal Credit continues to rise. There are currently around 34% of tenants now on Universal Credit with an additional 2,000 tenants that have now moved onto the full-service Universal Credit. There are still over 8,500 working age tenants claiming Housing Benefit who will need to transition to Universal Credit by 2024. There are around 74% of council housing tenants in total that are receiving full or partial Housing Benefit or Universal Credit.

Evidence shows that most new Universal Credit claimants accrue additional arrears in the first 3 months of their claim so we will continue to monitor this and make support available for any tenant that needs it. We promote Direct Debit as the preferred payment method for all tenants, including Universal Credit claimants, as it increases the likelihood of prompt rent payments and is a condition of tenancy. Our work with the DWP includes close working with their case officers who assist new claimants with their Universal Credit claims and offer rent advice at the beginning of a claim. The tailored service that we provide to different customer groups includes those on benefits, and we will support those in need in navigating rent and managing money.

1.3.4 • **The Social Housing Regulation Bill**

The Social Housing Regulation Bill was first introduced to parliament in June 2022. It sets out reforms intended to make landlords more accountable for the services they deliver, changes to the complaints process and the introduction of a set of tenant satisfaction measures that all landlords will have to report against. The Bill also enables the Regulator of Social Housing (RSH) to proactively regulate consumer standards and be given stronger powers to regularly inspect poor performing landlords.

Compliance with these regulatory requirements will be mandatory, and proactive regulation and monitoring by the RSH is expected. Work is taking place to prepare for the new regulatory regime, and we are actively engaging with the Housing Ombudsman and RSH. The Regulator is expected to publish their final determination on Tenant Satisfaction Measures (which will be collected from April 2023) and consultation on proposed Consumer Standards in the autumn.

1.3.5 • **Fire and Building Safety**

The Fire Safety Act 2021 came into force in May 2022 and provides greater clarity over responsibility for fire safety in multi-occupation residential buildings. For all council owned flat and maisonette blocks, our focus is on reducing the risk of fire for the structure, external walls and doors that open into communal areas. Fire Safety Regulations which introduce new duties under the Fire Safety Order, will come into force in January 2023 with supporting guidance expected to be published later in 2022. The regulations will implement most recommendations made to government in the Grenfell Tower inquiry Phase 1 report.

The Building Safety Act 2022 received Royal Assent in April 2022. The new legislative landscape places significant duties on us as a landlord. This not only considers the buildings but equally important the building occupants. The Act provides the next steps in reforms to give residents more rights and decision making about their homes, powers and protections and sets out significant changes to the way residential buildings should be constructed, managed on a day-to-day basis, and maintained in the future. The Building Safety Act 2022 also creates three new bodies that will provide effective oversight of the new regime (the Building Safety Regulator, the National Regulator of Construction Products, and the New Homes Ombudsman). Many of the detailed provisions in the Act will be implemented over the next two years through a programme of secondary legislation.

1.4 **Summary of key local considerations**

1.4.1 The Housing and Neighbourhoods Service has set out its priorities for 2022/23, which includes 10 key service outcomes to be achieved by the end of 2022/23. These service outcomes incorporate the key commitments as included in the HRA Business Plan 2022/23 that was approved at Full Council in February 2022.

They also align with the ambitions in Council's current One Year Plan and the emerging Medium-Term Plan being considered by Members now.

The following sections provide an overview of each of these service outcomes and update on our HRA Business Plan priority areas. By 2023/24, we will have: -

1.4.2 • **Delivered more rented council, and affordable homes**

A key priority in the business plan is to increase the number of council homes we can provide. At the time of writing this report, we have delivered 795 new homes (a mixture of homes purchased on the open market and new homes built or acquired off plan). A further 256 new homes are currently in construction and expect to be delivered by Winter 2022, with another 440 homes on 7 sites currently at the feasibility and design development stage – including supported accommodation units.

Our first new Independent Living Housing scheme (Older Persons Independent Living with Care) in Parson Cross (Buchanan Green) is due for completion in August 2022. We are also developing plans for new Older Persons Independent Living Schemes in the south and southeast of the city at Hemsworth and Newstead. We completed 17 new temporary accommodation units in June 2022 and our aim is to maximise the resources available across the Council to deliver the best and most economically viable outcomes for this customer group.

The cost of delivering our original target of 3,100 new council homes by 2028/29 has increased. This is due to several factors including inflation, general build cost increases and changes in central government policy. This cost increase means we can no longer afford to deliver the 3,100 homes within budget and in these timescales. Reducing the number of homes we can deliver to 2,310 would bring the cost back to the approved budget for the stock increase programme (£354m). This would still include all developments currently in the 'pipeline' but excludes and 'opportunity' sites.

1.4.3 • **Improved our repairs service**

The Repairs and Maintenance Service has undergone significant change in 2022 already following the successful implementation of a new IT system and staffing restructure. This has been a major achievement considering the continued challenges of COVID and high demand on the service. The changes and improvements to repair processes and a customer focussed culture is the start of ensuring we can deliver an efficient and reliable repairs service to tenants.

The service has continued to prioritise emergency, urgent and routine repairs including damp and fire safety work and are making progress in these areas. Performance on repairing empty properties is improving but quicker turnaround of properties for re-letting is required to reduce relet times and rental income.

Over the next 12 months the Council will continue to modernise its repairs service and develop staff to improve services that we provide to tenants. The new IT system is improving the tenant experience and giving more certainty and confidence when requesting repairs with the ability to book real time availability for appointments and text confirmation and reminders when on route. Online Repairs Ordering is planned to go live in the Autumn of 2022 further improving access to the service for tenants and improving performance at the Contact Centre.

There are considerable challenges remaining from the COVID pandemic and backlogs of repairs with continued high demand. The availability of suitably skilled labour and contractors is a sector wide challenge and there are inflationary pressures, both for staff and materials.

1.4.4 • **Supported our tenants through rising living costs**

We currently collect around £145m in rental income each year and this income can only be spent on council housing activity. The more rental income collected, the more money the Council will have available to spend on providing council housing services and developing new plans.

It is crucial that rent arrears are kept to an absolute minimum, and that we continue develop support for those who need help managing their money. Rent arrears levels are monitored throughout the year and provisions put in place to help reduce rent loss to the HRA such as encouraging continued payments during the 2-week rent free period in December each year.

The ongoing transition to Universal Credit places additional pressure on the successful collection of rent. Most Universal Credit claimants are responsible for paying their rent to us directly, though we promote Direct Debit as the preferred payment method for all tenants as it increases the likelihood of prompt rent payments. Hardship Fund payments and Discretionary Housing Payments continue to be available to help support those most financially affected. This has undoubtedly helped to protect the HRA and support our tenants to sustain their tenancy and remain in their home, alongside other support mechanisms such as providing money management and budgeting advice. We continue to work closely with other partners and agencies to help signpost for additional support to help tenants who need it. The Hardship Fund will continue to be reviewed and options for increasing this in line with any future rent increases will be considered as part of the report that will be presented at November Housing Policy Committee.

1.4.5 • **Accelerated the decarbonisation of homes in Sheffield**

Tackling climate change and reducing our carbon emissions continues to be a priority for the Council. The business plan includes priorities to contribute towards this. Our current funded investment plans aim to bring all council homes to Energy Performance Certificate (EPC) level C by 2030, going beyond the government's 2035 for social housing. The most significant areas of investment include cavity, loft, and wall insulation programmes of work as well as improvements in heating.

Since 2021, we have been working with partners to develop a 'roadmap to net zero'. The roadmap will help us to estimate the funding needed to improve our council stock. The cost of upgrading our existing stock will be expensive. It will therefore be important that we make the most cost-effective decisions as part of our plans. We are working with other landlords to share ideas and learn from each other and will continue to work with Government in 2023/24 to maximise any funding opportunities for making our council homes greener.

In 2021, we secured approximately £3m of grant funding through the Green Homes Grant Local Authority Delivery scheme. This enabled the delivery of energy efficiency works to 265 private sector homes and 517 Council homes. Progress under the Green Homes Grant Local Authority Delivery (GHG LAD

2) project is advancing and due to complete by September 2022, targeting energy improvement measures to over 500 council homes. In addition, the Social Housing Decarbonisation Fund Wave 2 competition is due to launch in late August 2022, through which the Council intends to secure contributory funds for around 372 homes to receive external wall insulation.

1.4.6 • **Embedded our new approach to neighbourhood management, delivering an excellent service for tenants**

During 2022/23 we have reviewed our neighbourhood services and as a result renewed our approach to tenancy management and enforcement. This has included developing a new training package for staff to improve overall knowledge around issues like anti-social behaviour. This will help to improve how we deal with tenancy breaches and promote a better and more joined up working between teams.

We continue to review how we deliver our front-line services and provide more visibility within our neighbourhoods and estates. Last year we were able to provide 30,000 support visits to tenants and identified and made over 2,800 support referrals to other services to help tenants live independently and have a successful tenancy. It is important that tenants have access to support if they need it and know how to access it.

1.4.7 • **Made homes across the city safer**

It is important for us that our tenants feel safe and comfortable in their homes. Our 5-year investment plan sets out planned improvement and upgrade works that we will make to our homes.

Investment in fire safety remains a key priority and work will continue in 2023/24 to ensure that our council homes, especially our high-rise tower blocks and flat blocks are safe. We are continuing to put in to place provisions because of Government legislation and new regulations that have come into force in 2022, specifically sections 1 and 3 of the Fire Safety Act 2021. This specifically relates to fire risk assessments and the “Responsible Persons” role and responsibilities. We will continue to take a pro-active approach to ensure we have the resources in place to comply with these further legislative requirements as they emerge.

Ensuring our existing homes are in good condition will make our neighbourhoods more attractive and places where people want to live. Further information around the investment programme can be found in the [Capital Strategy and Budget Book 2022 – 2052](#) (Section B4 – Housing Investment). Over £300m investment is required over the next 5 years to be able to make these improvements. Due to the financial pressures the HRA is facing, it may be that some of our planned programme works will need to be revisited and some of our plans revised.

1.4.8 • **Prevented homelessness and provided safe and affordable homes for those who need to move**

As a Housing and Neighbourhood Service, we take a strategic approach, leading on a multi-tenure Housing Strategy addressing housing needs and demand across the city. Our stock increase programme includes provision for specialist housing and accommodation options for people who may need have additional housing needs. Having this type of accommodation not only ensure the extra support provision is there for those who need it, but it can free up general needs accommodation for other households.

Making sure people have the right support in place at the beginning of their tenancy helps to ensure that people are happy and want to remain in their homes. We will continue to develop our approach and will aim to implement new proposals in 23/24 to improve even further.

1.4.9 • **Become more transparent, engaging, and inclusive**

A key theme arising from the Social Housing (Regulation) Bill is transparency. One of the proposed amendments to the Regulator of Social Housing's fundamental objectives is a requirement for registered providers to be transparent with their tenants. This will require us to publish more information and analysis relating to our compliance with regulatory standards.

We recognise the importance of these prospective changes and are preparing accordingly. We know that Tenant Satisfaction Measures will also be a focus of these changes, and are working to improve tenant satisfaction, which will facilitate us in driving improvements in our overall service provision.

Engaging with our tenants is also important to us. We recognise our tenants like to be able to feedback and be involved in different ways. We will continue to explore further engagement opportunities and look at ways in which we are able to reach out to a wider range of tenants that represent our tenant demographic.

Supporting the local economy including providing improved employment and skills outcomes remains a key priority for the Council. The Housing and Neighbourhoods Service continue to promote and offer apprenticeships in several roles across the service, with 14 new apprentices being recruited so far in 2022. The apprenticeship scheme also provides an opportunity to help us improve diversity within the workforce. We will continue to look at ways in which we can promote and encourage new apprentices from a range of backgrounds and communities.

In addition to the apprenticeship scheme, we also offer several graduate roles each year within the service which is having a positive impact on the service and supporting strategic priorities. We currently have 3 graduate trainees in the Service and are in the process of recruiting an additional 3, who will commence employment in 2022. Graduate trainees are also

encouraged and supported to apply for opportunities within the Service following the completion of the programme

A priority for 2023/24 will also be identifying potential skill gaps in our teams and workforce to help with future succession and workforce planning. This will include looking at options around utilising existing employees through career development and the upskilling of our staff prior to any external recruitment.

1.4.10 • **Modernised our ways of working, and reviewed our services and their structure**

Over the last year we have been reviewing our IT systems to see how they can be improved and become more cost-effective. We will start to implement a new system in phases throughout 2023/24 which will help us to work more efficiently, remove duplication and ultimately provide a better service to our tenants.

During 2022/23 we have been able to resume most of our services safely. The pandemic resulted in a large amount of disruption to our key services such as repairs and front-line services. Over the last year we have been working hard to combat some of the backlogs the pandemic created, and we will continue to monitor this to ensure we are able to reduce any backlogs we still have.

1.5 HRA Business Plan 2023/24

1.5.1 The HRA faces significant budget pressures going into 2023/24, and these pressures will impact on the ability of the HRA Business Plan remain affordable over the next 30/40 years. The overall impact of this is on the business plan is that we are unlikely to be in a position where we can fund all the plan's key priorities.

1.5.2 Early projections indicate that significant savings of around £21m are required in 2023/24. The level of these savings may be partly mitigated by any rent increase that the Council decide to make for 2023/24. If these savings are not achieved in 2023/24, then future years savings will need to be more significant. These savings are likely to come from service reductions and staff reductions. Further consultation will be required with tenants, staff, and Trade Union representatives on the impact of these proposals before any decisions can be made. Potential savings options and proposals will be recommended as part of the HRA Business Plan 2023/24 report that will be presented at the Housing Policy Committee in November 2022.

1.5.3 This report will include recommendations on the 2023/24 rent increase. Rent setting below the inflation rate will have a significant impact on the business plan. It is however important to acknowledge the wider social context with many of our tenants experiencing financial hardship linked to the cost-of-living crisis. An increase of rents of over 10% would have a significant impact on most many tenants. Approximately 40% of our tenants are currently on Housing Benefit. These tenants would be covered for any rent increase

through increased Housing Benefit payments. A further third of tenants are now on Universal Credit. These tenants would receive an additional housing element to their Universal Credit payments although for many this would not come directly to the Council. Around a quarter of our tenants pay full rent so would be affected the most by an increase in rent. These households would therefore have to manage a rent increase alongside all other cost of living payments.

- 1.5.4 The HRA Business Plan 2023/24 report to be presented in November will include the usual financial appendix, updated investment plan and recommendations around rent and charges to be implemented from April 2023.

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.
- 2.2 The business plan priorities will also contribute and feed into a number wider Council priorities such as: -

- **Our Sheffield - Strategic Priorities**

The Council have developed a new set of strategic priorities for 2023/24 ([Our Sheffield – administration priorities](#)) with the intention for these priorities to form the basis of the new medium term Corporate Plan which is currently in development. To help support this, the Our Sheffield Delivery Plan 2022-23 has been developed. The plan focuses on some of the key challenges the Council need to address before more longer-term strategic goals can be achieved. There are several areas in which housing performance feeds into broader corporate priorities, and as the new Corporate Plan emerges from the administration priorities, we will continue to monitor and report on how we are performing against broader corporate priorities.

- **The Race Equality Commission**

The Race Equality Commission published its final report in July 2022. The outcomes of the report reflect some specific concerns for the housing sector in Sheffield, and that the Council, and the Housing and Neighbourhoods Service in particular, is responsible for acknowledging, exploring, and potentially acting on the findings and recommendations of the report. As the HRA Business Plan provides a financial account of the Council as a landlord, it is important to recognise how our allocation of funding to different aspects of council housing inherently impacts housing and the housing of BAME individuals in Sheffield. Appropriate action is being considered for how the Housing and Neighbourhoods Service can act on these findings

- **Local Area Committees**

Local Area Committees (LACs) are a way for people to get involved in making a difference to their local communities. There is council housing in each of the seven LAC areas, and issues raised within LAC forums often relate to housing, and consequently HRA spending decisions. Therefore, it is important that we work closely with the LACs to understand where there are links to housing issues. We will ensure that the HRA Business Plan priorities feed into the LACs priorities and plans going forward.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 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.
- 3.2 Tenants are kept informed of developments in relation to the HRA Business Plan through the Housing and Neighbourhoods Advisory Panel (HANAP), Housing and Neighbourhoods Partnership Group (HNPG), online meetings, our monthly news e-bulletin – Your Home, Your Neighbourhood and via the Housing and Neighbourhoods Service Facebook page.
- 3.3 As part of a broader community celebration event held in July 2022, tenants were asked to outline business plan priorities that were the most important to them. This type of activity helps us to better understand what things matter most to our tenants. Feedback from this event was that repairs and the maintenance of our existing homes were of most importance to the tenants who attended the event.
- 3.4 We will continue to consult with tenants on the business plan for the remainder of the year. There will also be a requirement to consult with staff and Trade Union representatives on any proposals that will affect future staffing levels.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 A full Equalities Impact Assessment will be completed as part of the HRA Business Plan 2023/24 report that will be presented at the Housing Policy Committee in November 2022.
- 4.1.2 For specific programmes of work and projects as detailed in this report, separate EIAs have or will be completed.

4.2 Financial and Commercial Implications

- 4.2.1 All financial and commercial implications will be considered and included as part of the report to be presented to the Housing Policy Committee in November.

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 determine 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 will be addressed in the November report to this Committee.
- 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 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 is secured through a regulatory standard.

4.4 Climate Implications

- 4.4.1 A full climate impact assessment has not been completed as part of this report, however full or partial climate implication assessments will be considered as part of the individual work projects and plans that feed into the HRA Business Plan.

4.5 **Risk Management**

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

4.5.2 Since 2012 the HRA has operated on a 'self-financing' basis with local authorities funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also brought additional risk. Risks are collated and monitored via a risk register and are primarily concerned with threats to income and expenditure that would compromise the viability of the HRA Business Plan. These risks are reviewed and regularly updated

4.5.3 The key risks to the HRA Business Plan are:

- **Welfare Reform**

Welfare Reform and the transition to Universal Credit continues to be an issue for the HRA Business Plan. The number of tenants claiming Universal Credit continues to increase, and experience has shown that most new claimants accrue arrears in the first few months of their claim. We have increased our Hardship Fund for 2022/23 to help mitigate increasing arrears and to continue to help and support those tenants in financial difficulty.

- **Fire Risk on Council Tower Blocks and Other High-Risk Buildings**

The Review of Building Regulation and Fire Safety brings several operational and financial risks. The full cost impact assessment has not been possible because secondary legislation is going to be published over several years. However, budget provision has been made for the next 5 years based on the best information we have and should enable investment in all buildings over 18 metres (high-rise) and any high-rise residential buildings. There continues to be a risk around the market capacity/capability to respond to the scale of need nationally which could lead to the possible inflation of costs.

- **Interest Rate Risk**

The HRA's loan portfolio is made up of both fixed and variable loans, some of which will be exposed to interest rate changes. Although this is a risk to the business plan, part of the role of treasury management is to manage the HRA's exposure to interest rate fluctuation and the risk this brings. However, it is also important to retain a degree of flexibility to take advantage of borrowing at low interest levels should opportunities arise.

- **Inflation Rate Risk**

The HRA Business Plan assumes an ongoing inflation rate which has been factored into the 30-year plan. A change in the assumed inflation rate would impact on the forecasted income to the HRA over 30 years. 2022 has seen a sharp rise in inflation, with significant increases already in contractor and material costs. We will continue to monitor the long-term direction of

construction cost inflation, working with colleagues across the Council and will adjust the business plan accordingly.

- **Repairs and Maintenance**

The delivery of the Repairs and Maintenance service brings several inherent risks including fluctuations in the number of vacant properties, increased turnover due to welfare reforms, on-going stock deterioration rates, changes in government guidance and regulations and the transformation of the in-house service. COVID protection measures have influenced several aspects of the repairs and maintenance service including a backlog of non-urgent repairs, and gas safety inspections. An action plan is in place to tackle these impacts but the risk to the business plan remains.

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.