



Report to Policy Committee

Author/Lead Officer of Report: Janet Sharpe,
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Report of: Executive Director, Operational Services
Report to: Housing Policy Committee
Date of Decision: 10 November 2022
Subject: Housing Revenue Account Savings 2023/24

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? 1289, 1290, 1292, 1291				
Has appropriate consultation taken place?	Yes	<input type="checkbox"/>	No	<input checked="" 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 checked="" type="checkbox"/>	No	<input type="checkbox"/>
The appendix is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).				

Purpose of Report:

The report provides a breakdown of the pressures and mitigation/savings options for the Housing Revenue Account in 2023/24. Members are asked to endorse the mitigation options presented in this paper.

Recommendations:

It is recommended that the Housing Policy Committee: -

1. Endorses the Housing Revenue Account savings proposals/mitigations as set out in this report and recommends to the Strategy and Resources Committee that they be approved as part of the Council's budget for 2023/24
2. Request a further report on the Housing Revenue Account Business plan at their February meeting with details of the full capital and revenue expenditure proposals for 2023/24
3. Acknowledge that the final decision on council housing rents will be taken at the Full Council in February once the outcome of the government consultation on the Rent Standard is known.

Background Papers: Appendix 1 Confidential

Lead Officer to complete:-	
1	<p>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.</p> <p>Finance: <i>Helen Damon</i> Legal: <i>Stephen Tonge</i> Equalities & Consultation: Ed Sexton Climate: <i>n/a</i></p>
	<p><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></p>
2	<p>EMT member who approved submission: <i>Ajman Ali</i></p>
3	<p>Committee Chair consulted: <i>Cllr Douglas Johnson</i></p>
4	<p>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.</p>
	<p>Lead Officer Name: <i>Janet Sharpe</i> Job Title: <i>Director of Housing</i></p>
	<p>Date: 8th November 2022</p>

1. Proposal

- 1.1 Members need to consider HRA savings options for 23/24** The General Fund report on the Council's budget position presented to the Committee as the previous item on this agenda highlighted the significant issues facing this Council. The Housing Revenue Account also faces significant budget pressures going into 2023/24, and these pressures will impact on the ability of the HRA Business Plan to remain affordable over the next 30/40 years. This report provides a limited number of options working towards a balanced budgetary position for 2023/24.

2. Background

- 2.1 The Council's HRA is the financial account of the Council as landlord** The Council's 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.
- 2.2 There is a HRA budgetary pressure of £20.6m in 23/24** The HRA Business Plan is facing significant budgetary pressures over at least the next 5 years. The overall impact of this is that the Council is unlikely to be able to fund all the plan's key priorities. Early projections indicate that significant savings of around £20.6m 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.
- 2.3 The SIP has been reduced to 2,310 units as part of modelling** The Business Plan modelling that has been undertaken assumes that the Stock Increase Programme (SIP) is reduced to 2,310 units from the current figure of 3,100. This accounts for all developments currently in the 'pipeline', but not 'opportunity' sites. The cost to complete delivery of the 3,100-unit programme has increased to £558m. Reducing to the 2,310 units (1822 plus 488 prior years) brings the cost back to the approved budget of £354m.
- 2.4 Some protection for the Repairs Service has been built into the budget** The 22/23 budget for the Repairs and Maintenance Service was initially set at £40.2m. However, this has been increased through the year to account for backlog maintenance, pay and inflation. The expected outturn is currently £46.2m. The budget for 2023/24 assumes a continuation of the pressures identified in 2022/23 and adds a further £2.2m of inflationary and pay award pressures. The Repairs and Maintenance Service intend to manage the pay pressures through a review of overheads to generate savings of £1.5m (detailed below as a saving option). The final net budget for 2023/24 is therefore £46.9m – an overall increase of £0.7m on 2022/23 projected outturn.

2.5 There are significant pressures to address

The table below summarise the pressures in achieving a balanced Housing Revenue Account budget in 2023/24.

2.6 This table shows the HRA pressures for 23/24

	2023/24
PRESSURES	£000s
Rent loss from vacant properties	3,000
Repairs Service pressures	8,200
Cost of non-insourced repairs	920
Increased disrepair claims	2,645
Housing Ombudsman costs	120
Additional staffing costs (OPIL)	55
Housing Business Change Team	100
Council Tax charges on vacant properties	1,000
Increase SLA charge Parks and Countryside	300
Community Safety Funding	200
Increase in Hardship Fund	300
Increase utility costs – non residential	580
Additional IT costs	61
22/23 Pay Award (Housing & Neighbourhoods)	765
23/24 Pay Award (Housing & Neighbourhoods)	1,245
Increase gas/electric prices for Community Heating	1,100
TOTAL PRESSURES	20,591

2.7 Savings proposals totalling £9.3 have been identified

Appendix 1 presents a range of savings options for delivering £9.3m which will contribute towards mitigating the pressures above. Members are asked to endorse the Housing Revenue Account savings proposals/mitigations as set out in Appendix 1 and recommend to the Strategy and Resources Committee that they be approved as part of the Council's budget for 2023/24

2.8 The Council's ability to increase rents is set by Government

The HRA receives most of its income through dwelling rents, with a much smaller percentage coming from garage and other non-dwelling rents. The Council's ability to set rents is constrained by the Regulator of Social Housing Rent Standard which is determined by a government direction under Section 197 of the Housing and Regeneration Act 2008. The Council has discretion to set rent levels in line with this standard which caps any increase to the September Consumer Price Inflation (CPI) + an additional 1%. The Council must comply with the rent setting rules. If it fails to do so it may be made subject to regulatory action.

2.8 The Government has completed

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

its consultation on a temporary amendment to the Rent Standard.

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 sought 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 ended on 12th October 2022, and it has since been announced that CPI for September was 10.1%. If the outcome from the consultation is not to apply a cap, rent levels could be increased to up to 11.1% from 2023/24. The outcome of the consultation is not expected to be announced until later this year. This means that the Council is unable at this point to confirm Council Housing rents for 2023/34. There will be no time to alter the Housing Policy Committee's Housing Revenue Account business plan and budget after Christmas if the Housing Rent setting decision is to be made at the 1 February Council. Therefore, several scenarios have been modelled for information to exemplify the potential impact on the HRA.

2.9 Four possible rent setting scenarios have been modelled

Four possible rent setting scenarios have been modelled to provide context for setting a balanced HRA budget for 2023/24. The table below shows the overall HRA position for each of these scenarios assuming the savings proposals within this paper are adopted.

All figures in £000's

Potential rent increase	0%	3%	5%	7%	11.1%
Additional rental income	0	-4,376	-7,494	-10,616	-17,009
Total Pressures	20,591	20,591	20,591	20,591	20,591
Total savings/mitigations proposed so far (excluding rent increase)	-9,340	-9,340	-9,340	-9,340	-9,340
NET BUDGET GAP	11,251	6,875	3,757	635	-5,758

2.10 A balanced budget would only be achievable with a 7% rent increase

The modelling is presented on the best-known information at this point. However, there are several variables that are not yet fixed (including rent levels) and each of the saving proposals carry a degree of risk.

As the table above shows, the higher the rent increase that is applied, the budget gap is reduced, and the level of savings/mitigations required is also reduced. However further savings/mitigations would allow some flexibility in applying a lower rent.

2.11 A less than 7% increase would require significant service reductions

Any rental increase below 7% would require further significant service reductions to present a balanced HRA Business Plan. A 0% increase would require additional £11.2m savings, with a 3% increase requiring £6.8m of additional savings. There would be an extended lead-in time for developing these options and it may not be possible to bring these savings forward in full in 2023/24. Further savings would also have a significant impact on services delivered to tenants.

2.12 These proposals will not deliver all tenant and Member priorities

These proposals will not deliver all tenant and Member priorities for HRA services. There are other significant investment options for improving services to tenants and the quality of council housing in the city that will not be delivered through these budget proposals. The table below provides a summary of these priorities. To deliver these priorities then significant additional savings would be required. No proposals for achieving this are presented at this time.

Additional Investment Options – Member and Tenant Priorities	What are the issues that need to be considered? These options will require further savings to be realised for re-investment.
Accelerate the planned insulation programme to bring all properties to EPC C before 2030	Key issues include supply chain considerations, inflationary impacts per annum and availability of workforce to undertake the required works.
Achieve Net Zero by 2030.	Similar issues as above. Technology is improving at a rapid rate therefore properties at the end of the programme will be more advanced than the ones at the start of the programme.
Enhanced street scene works – 10-year programme based on a targeted strategic approach rather than an ad hoc neighbourhood approach.	Improve the overall appearance of our neighbourhoods through capital works. Issues around kerb appeal and general maintenance have been picked up on member walkabouts, and to make the improvements that are being requested, some targeted capital work may be required.
Improvements to waste management and development of a comprehensive Waste Management Strategy	This piece of work requires a fundamental rewrite of the Waste Management Strategy based on current usage of the asset, the new fire safety regulations and the proposed consumer regulations being developed by the Regulator of Social Housing.
Stock Increase programme ‘opportunity’ sites. ‘Opportunity’ sites are the 790 currently unfunded properties.	The increased capital cost (mainly attributable to inflation, general build cost increases & changes in central govt policy) has impacted the ability of the HRA to support delivery of the original target. A reduction in the SIP units to meet the approved funding will reduce the amount of SCC affordable housing and put the onus on Registered Provider organisations to deliver the required number of affordable units. impact rents, opportunity to free-up family homes and exacerbate hotel/B&B need.
To introduce an enhanced cleaning service across flats and maisonettes.	This would increase the weekly cleaning service to improve current standards.

2.13 Committee are asked to endorse these proposals	The Committee are asked to discuss the mitigation/savings proposals presented and endorse these for approval by the Strategy and Resources Committee. It should be noted that the mitigations/savings presented only provide a saving of £9.3m, meaning a further £11.3m savings will be required to achieve a balanced Housing Revenue Account Business Plan for 2023/24. Additional work will be undertaken to identify further savings options for consideration by the Strategy and Resources Committee. A full Business Plan report, including details of the housing capital programme and the delivery of revenue spending priorities for 2023/24 will be presented to the Housing Policy Committee in February 2023. The final determination of council housing rents for tenants in Sheffield will be taken by Full Council in February once the outcome of the government consultation on the Rent Standard is known.
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3. How does this decision contribute?

3.1 The proposals recognise the difficult financial situation	The proposals in this report are aimed at maximising financial resources to deliver housing outcomes to citizens in Sheffield considering developments in national policy, the current economic climate, and reductions in government funding.
3.2 Housing Revenue Account services are part of the current One Year Plan	The services listed here have made a significant contribution to the delivery of <i>'High quality, safe homes for all our citizens'</i> as part of the Council's One-year Plan.
3.2 Services will reflect the Medium-Term Corporate Plan	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. As the new Corporate Plan emerges from these administration priorities, we will continue to ensure that our own priorities link and feed into to broader corporate priorities where relevant.

4. Has there been any consultation?

4.1 Consultation will be undertaken as proposals develop	Consultation on the outline proposals has taken place with the tenant Housing and Neighbourhoods Advisory Panel. The Panel has provided some initial thoughts on the proposals from a tenant perspective. There was a general understanding about the impact of the cost-of-living crisis on tenants and the impact on the Council's costs. Tenants felt that any reduction in services would be unwelcome, but there was
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an acceptance that services to vulnerable tenants had to be prioritised as part of the decision-making process. The Panel felt that it was important to consult more widely on the proposals following any decisions by the Committee. This consultation will be undertaken prior to any changes to services being actioned and as the Policy Committees develop their budget proposals

4.2 There may be some implications for staff There is a formal process of consulting with staff and Trade Union representatives on any proposals where any changes to staffing structures are required. These outline proposals have already been shared with the Trade Unions to provide early sight of the potential direction of travel for achieving the required savings. Further consultation will be required with both staff and Trade Unions following this Committee dependent on the outcome.

5. Risk analysis and implications of the decision

5.1 Each individual proposal has had an initial Equality Impact Assessment **Equality Implications**
 There are no direct equality implications arising from this report. However, an initial Equality Impact Assessment (EIA) has been completed for each of the savings' proposals set out in this report. Further equality impacts will be completed if required following this Committee and dependent on the outcome.

5.1 There are no direct financial implications arising from this report **Financial and Commercial Implications**
 Each Committee is required to deliver a cash standstill budget for 2023/24, which requires them to find mitigations for any Service pressures over above 2022/23 budget. The pressures and savings proposals to address this are set out in this paper. Currently this Committee has a gap of £11.3m to meet its target. Further work will be required to address this gap and to ensure delivery plans are in place. All Committees savings proposals will be considered by the Strategy & Resources Committee before final sign off to ensure a balance 2023/24 budget for the Council as a whole.

5.3 No new legal issues arise other than those ordinarily governing the HRA **Legal Implications**
 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 Business Plan.

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.

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.

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. The Council must comply with the rent setting rules. If it fails to do so it may be made subject to regulatory action.

5.4	There are no direct climate implications arising from this report	Climate Implications There are no direct climate implications arising from this report. It is expected that individual Committees will consider climate implications as they develop their budget proposals in due course
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6. Alternative options considered

6.1	No other options were considered	The Council is required to both set a balanced HRA budget and to ensure that in-year income and expenditure are balanced. No other alternatives were considered.
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7. Reasons for recommendations

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- 7.1 Members are asked to note the challenging budget situation and determine action**
- Members are asked to note the unsustainable financial position highlighted by the medium-term financial analysis presented to Strategy and Resources Committee in July 2022. This report and its recommendations, sets out the scale of the challenge ahead, the limited resources available and the difficult decisions that now need to be taken to deliver a balanced HRA budget for 2023/24.