



Report to Policy Committee

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

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Report of: Executive Director, Neighbourhood Services

Report to: Housing Policy Committee

Date of Decision: 14 December 2023

Subject: Housing Revenue Account (HRA) Business Plan 2024/25

Type of Equality Impact Assessment (EIA) undertaken	Initial <input checked="" type="checkbox"/>	Full <input type="checkbox"/>
<p>EIA reference 2398 covers the impact of the Rent Standard. This is the main planning assumption for this report. Individual EIAs have also been completed for other savings and pressures being considered by Strategy and Resources Committee in a related report.</p>		
Has appropriate consultation/engagement 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:

This report sets out the 2024/25 Housing Revenue Account (HRA) Business Plan. 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.

The purpose of this report is to provide the Housing Policy Committee with an update on the current national and local housing context, regulatory requirements, the priorities for Committee action alongside capital and revenue spending plans for 2024/25. The Policy Committee will then be responsible for overseeing the scrutiny and, delivery of those plans on behalf of the Council housing tenants of Sheffield.

Recommendations:

It is recommended that the Housing Policy Committee: -

- a) notes that the HRA Business Plan report for 2024/25, the HRA Business Plan priorities for 2023/24 and HRA Revenue Budget 2023/24 as set out in the Financial Appendix, will go to the Strategy and Resources Policy Committee at its meeting in January 2024, for recommendation to Full Council for approval;
- b) notes that once adopted by Full Council, monitoring delivery of HRA Business Plan priorities will be within the remit of Housing Policy Committee and a regular performance reporting schedule will be approved;
- c) notes the recommendation for the increasing of Council rents for 2024/25 in line with the Government's Rent Standard

Background Papers:

Appendix A - Summary of Tenant Consultation on the Priorities

Appendix B - HRA Business Plan and Financial Appendices 2024/25

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.	Finance: Helen Damon
		Legal: Meurig Tiley
		Equalities & Consultation: Louise Nunn
		Climate: Nathan Robinson
	<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	SLB member who approved submission:	<i>Ajman Ali, Executive Director for Neighbourhoods</i>
3	Committee Chair consulted:	<i>Douglas Johnson, Chair, Housing Policy Committee</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 SLB 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: 6th December, 2023	

1. PROPOSAL

- 1.1.** This report sets out the 2024/25 Housing Revenue Account (HRA) Business Plan. 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** The purpose of this report is to provide the Housing Policy Committee with an update on the current national and local housing context, regulatory requirements, the priorities for Committee action alongside capital and revenue spending plans for 2024/25. The Policy Committee will then be responsible for overseeing the scrutiny and, delivery of those plans on behalf of the Council housing tenants of Sheffield.
- 1.3** The HRA Business Plan is included as Appendix B to this report. It provides a more detailed analysis of the current operating environment, the priorities for the HRA over the next 12 months and an overview of revenue and capital spending proposals over both the 5 and 30-year life of the Business Plan.

2. BACKGROUND

- 2.1** The HRA is the financial account of the Council as a 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** This HRA Business Plan report sets out how the estimated £181m income, predominantly from tenant rents, will be spent on delivering repairs, capital improvements and tenant services to more than 38,000 council homes across the city during 2024/25. It also includes a longer-term forecast looking forward over the next 5 years.
- 2.3** The focus for 2024/25 will be on restructuring the long-term Business Plan to ensure that there is a sustainable investment programme for council homes in Sheffield. The plan also focuses on improving the services that we provide to tenants to meet rising expectations, both of our customers and of the new regulatory environment.
- 2.4** The HRA Business Plan operates within a political environment therefore changes in both national and local policy can have a major impact and influence on the plan. The main impacts affecting this year's review include increased regulation of the social housing sector; increased costs to the HRA linked to inflation, a continued cost of living crisis impacting our tenants and the level of income we can generate for the HRA based on current Rent Policy.
- 2.5** Sheffield, like many other Local Authorities in the country, is facing increasing financial pressures and the impact of more stringent regulation. Income is not keeping up with costs making it increasingly difficult to ensure that homes are well managed and maintained by the Council.

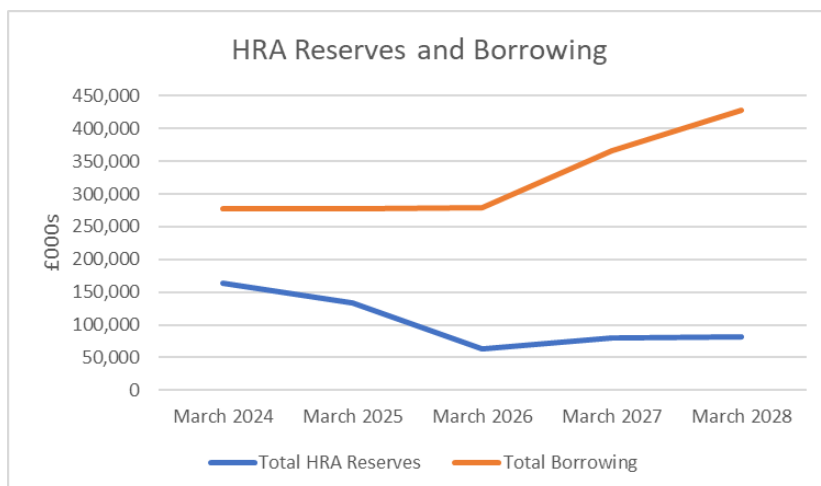
Increased investment in repairs and long-term capital improvement is now required to ensure homes remain compliant with the Decent Homes Standard. Recent Government directives restricting providers ability to set rents in line with inflation have reduced overall funding for the Council's HRA and is impacting on its 30-year viability. Tenant engagement is a priority to ensure that the Council is delivering on tenant commitments, working collaboratively across the Council and community to improve the overall quality of neighbourhoods in the city.

- 2.6** The annual update of the Business Plan provides the opportunity to review our current priorities for both service delivery and investment in council homes. A revised set of priorities were agreed for the Business Plan in 2023/24 to ensure that it remained responsive to tenants needs and to the economic situation at that time. These priorities have been reviewed as part of this plan and the recommendation is that these remain as the key focus for 2024/25.
- 2.7** The Housing Capital Investment Strategy focuses on a 'fabric first' approach to protect council housing assets, to reduce our ongoing and long-term repairs and maintenance obligations and increase tenants' satisfactions with their homes. We have now commenced an area-based investment approach to reflect local priorities that are important to residents and tenants. Close working arrangements are in place with the Council's Repairs Services to ensure alignment across Capital and Revenue investment.
- 2.8** The proposed 5-year Housing Capital Investment Programme including inflation is £450m for investing in existing Council homes and the current proposed stock increase programme is £255m (including external grants and funding), giving a total programme value for the forthcoming 5 years of £705m. This reflects the additional investment needed to improve Council housing stock and reduce over time the responsive repair budgets. The Financial Tables in Appendix B provide a breakdown of the main elements of the programme and their associated costs through to 2029.
- 2.9** This review of the HRA Business Plan for 2024/25 has maintained the remaining capital allocation to the SIP through to 2029. This budget is predicated upon a complex funding matrix which is continually changing. The current economic conditions mean there is a risk that homes delivered directly by the Council will cost the HRA more than their resultant market value, due to high site abnormal costs unless additional external funding can be secured. This is a similar issue faced by all Registered Providers in the city and, other Local Authorities. The limitations on the use of Right to Buy receipts set by government, present the Council with a risk of having to pay back receipts if the SIP does not satisfy the programme and/or tenure/type mix requirements.
- 2.10** The focus for the SIP to 2029 will be on acquiring new market homes, strategic acquisitions and directly delivering a small number of housing sites which remain viable and that will continue to meet an identified need for council housing in the city. This may lead to a review of commitments and the release of land where sites are no longer viable under current market conditions. We will continue to maximise the use of RTB receipts to maintain our programme of acquisitions, again to meet identified need. The Council's new Housing Strategy due to be

presented to the Council's Strategy and Resources Committee later this financial year will continue to set out the housing need and affordable housing requirements for the city and any gaps in provision. This will inform future discussions with the Housing Policy and other Committees to formalise the Council's wider housing growth ambitions throughout 2024/25 to maximise the use of available funding alongside the HRA capital allocation.

- 2.11** Sheffield City Council, its Leader and Chief Executive are working together with key partners in the city through the Sheffield Together Partnership with Homes England, the SYMCA, the Sheffield Property Association, and members of the South Yorkshire Housing Partnership to strengthen the focus on enablement, intervention, and delivery. We are actively reviewing all sites within the emerging Sheffield Plan for affordable housing compatibility and exploring a variety of affordable housing delivery models to strength pipeline across all delivery routes. We will look to enhance this relationship by exploring opportunities with RPs to maximise the use of available land in the delivery of new homes in circumstances where the Council is not able to directly deliver to address the overall affordable housing shortfall. This will be critical to ensuring that the range and type of affordable homes in the city continues to increase addressing together the annual affordable housing shortfall of 902 homes per year.
- 2.12** We will maintain a viable 30-year Business Plan by managing our rental income and operational expenses to reinvest in existing homes and neighbourhoods alongside the creation of new homes. This requires a rigorous approach to business planning and financial management to mitigate the impact of the challenges from national and local policy, whilst delivering on our priorities. The development of our Asset Management Strategy will inform the longer-term capital investment need for existing stock, which must be balanced with the resources that are available in the 30-year Business Plan. A robust process, following the new Asset Management Strategy in 2024, will be to refresh archetype option appraisals of Council housing stock, alongside a potential replacement or regeneration strategy.
- 2.13** We have assumed throughout our planning that rent will increase each year by the amount allowed by the Rent Standard (i.e., September CPI + 1%). A below Rent Standard increase would impact on the income throughout the 30-year Business Plan. For example, compared to Rent Standard, a 5% rent increase would result in a loss of up to £183m in income over the 30-year life of the Business Plan, leading to job losses and cuts in services for tenants. A 7% increase would result in a loss of up to £47m over the 30-years. A reduction in the assumed income would mean that costs would need to be reduced to balance the Business Plan.
- 2.14** Over the next 5-years we are planning to increase our borrowing to partially fund our Stock Increase Programme from increased rents from new supply. These loan repayments will be fully funded from the additional rental income from the resultant new properties and, when capital debt is repaid will create a surplus that can support the wider costs in the HRA in the longer term. Investment into our existing stock will be funded through a mixture of revenue, capital receipts and capital reserves. The graph below presents the 5-year position on borrowing

and reserves. This shows the increasing use of reserves to fund the capital investment programme up to 2026 before undertaking new borrowing from 2026, for the existing stock. After 2026 this will require a revenue budget to be identified within the operating model to cover the cost of any loans taken out to fund improvements for existing stock.



2.15 The development of the Asset Management Strategy will be critical to any decision making around future investment priorities. It will inform stock option appraisals to review our stock profile, consider the impact of individual archetypes on our capital and repairs costs, and balance our tenant demand and need profiles to ensure that the Business Plan remains viable. These will be difficult decisions that will impact on the services and homes that we offer our tenants. They will potentially impact on the number of homes we own but will be necessary to deliver a sustainable future for council housing in the city. This could also involve reducing any stock that has a negative impact on the overall HRA Business Plan so that the level of Council homes and, our ability to service long term debt from increased borrowing remains balanced over 30-years.

3. HOW DOES THIS DECISION CONTRIBUTE?

3.1 The Housing Revenue Account Business Plan for 2024/2025 will maximise the financial resources available to deliver outcomes to council tenants in the context of a self-financing funding regime. This must be set in the context of significant national developments, a challenging economic climate, and reductions in government funding.

3.2 The Council is collaborating with communities and partners on the development of Sheffield's new City Goals. The **City Goals** will become a driving force to support partnership working across the city. With the Goals being developed collaboratively, a key aim is that this will promote a joined-up approach to delivery, recognising that everyone has a role to play in Sheffield achieving its ambitions. The draft Goals include themes around thriving communities, and a green and resilient Sheffield – and ensuring people have access to a good quality and affordable choice of housing across our city is fundamental to the

wellbeing of our communities and the city's prosperity.

- 3.3** The new 4-year Council Plan demonstrates the Council's role in helping the city to achieve its City Goals. The Council Plan will set out an ambitious set of outcomes and priorities, providing clear medium-term purpose and direction for the whole organisation. Aligned to the 4-year Medium Term Financial Strategy, the new Council Plan will focus on getting the best outcomes for the people of Sheffield and the city's long-term prosperity as we lead the transition to a net zero future. Having an ambitious and high-quality housing offer for citizens is central to those ambitions and this will be further detailed in the new **Housing Strategy** being discussed by Members later this financial year.
- 3.4** The **Race Equality Commission** published its final report in July 2022. The outcomes of the report reflect specific concerns for the housing sector in Sheffield. We have an important role in acknowledging and acting on recommendations included in the report. We have a significant Black, Asian and Minority Ethnic (BAME) population amongst our council tenants and recognise that the allocation of HRA funds will inherently impact the housing of BAME individuals in Sheffield.
- 3.5** The primary purpose of **Local Area Committees** (LACs) is to promote the involvement of local people in the democratic process and to bring decision making closer to local people. There are seven LACs covering different areas of Sheffield and there is council housing stock in each of these areas. Issues discussed in LAC forums often relate to council housing and HRA funded activities. It is important that we engage with these forums where issues link to our activities. These forums are a way for us to engage with residents and gather a broad range of views on HRA funded activities.
- 3.6** The proposed priorities also link closely with the **Council Values**. These values guide how we do things each day, individually and together, to deliver services to our customers. Putting tenants at the heart of what we do, being open and honest in our dealings with tenants and working together to achieve the best outcome are themes that run strongly through the delivery of the Business Plan.

4. HAS THERE BEEN ANY CONSULTATION?

- 4.1** 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.
- 4.2** Appendix A sets out the full details of the consultation recently undertaken on the draft priorities contained within the Business Plan for 2024/25. The consultation helped us to gain a better understanding of tenant's views of our council housing spending priorities. The priorities which ranked highly are the areas where we will invest both time and financial resources in improving services to tenants. The proposals in this Business Plan, particularly the increased investment in repairs and in tackling damp and mould (as discussed at September's Housing Policy Committee) support this as a priority for customers. It is positive that we are also seeing some performance and

satisfaction improvements in areas that are a priority for tenants around repairs, ASB and customer contact. This consultation does also show that we still have a lot to do to deliver on the expectations of our customers and this will help to shape our improvement planning for 2024/25.

5. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

5.1 Equality Implications

There are no direct equality implications arising from this report. Equality Impact Assessment reference 2398 covers the impact of the Rent Standard. This is the main planning assumption for this report. Individual EIAs have been completed for other savings and pressures being considered by Strategy and Resources Committee in a related report.

5.2 Financial and Commercial Implications

The HRA Business Plan allows for a continuation of services to tenants, revenue repairs to properties and financial support for the Council Housing Capital Programme by means of a contribution from revenue. Any annual revenue surpluses on the account will continue to support the 30-year Business Plan.

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 strategy.

The Commercial Resilience section of Appendix B explains the detailed commercial viability of the plan and the financial tables also in Appendix B set out the 5-year projections for the HRA Income and Expenditure Account and the 5-year capital programme. These are based on current assumptions and continue to be reviewed for known changes. Further details on the Council Housing Capital Programme will be set out in the Council's Capital Strategy.

5.3 Legal Implications

The provision of housing accommodation is set out in Part II of the Housing Act 1985. Statutory requirements regarding keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989 ("the Act"). The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget. The Act places a duty on local housing authorities to: (i) to produce and make available for public inspection, an annual budget for their HRA, which avoids a deficit; (ii) to review and if necessary, revise that budget from time to time and (iii) to take all reasonably practical steps to avoid an end of year deficit.

On 10 November 2020 the Ministry of Housing Communities and Local Government ('MHCLG') published guidance on the operation of the Housing Revenue Account ring-fence. This guidance updates and replaces Circular 8/95 published by the former Department of the Environment (DoE). It gives advice to local housing authorities in England on certain aspects of the HRA. This guidance restates ministers' established policy for the HRA and introduces no new issues of principle. However, it highlights the need to be fair to both tenants

and council taxpayers and that there should be a fair and transparent apportionment of costs between the HRA and General Fund.

In December 2022 the Government published an updated policy statement on rents for social housing from 1 April 2023 onwards and, pursuant to powers under section 197 of the Housing and Regeneration Act 2008, issued the Direction on the Rent Standard 2023. This required the Regulator of Social Housing to set a new rent standard, consistent with the Rent Policy Statement, with effect from 1 April 2023 and sits alongside the 2020 Rent Standard which continues to apply to supported housing. 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 and the more recent 2019 Direction. 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.

The basis for setting rent is set out under Section 24 of the Housing Act 1985 which provides that a local authority must make such reasonable charges as they determine for the tenancy occupation of their houses. 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. 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.

5.4 Climate Implications

There are no direct climate consequences resulting from this report. Appendix B highlights the issue of EPC-C targets and net zero as part of the capital investment programme. Our business plan priority for all Council homes to be EPC-C by 2030 fulfils the present-day obligations on us as a social landlord.

5.5 Risk Analysis

Risks to the HRA 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. The key risks to the HRA Business Plan include the impact of welfare reform; health and safety/fire risks on council tower blocks and other high-risk buildings; an increase in interest, borrowing and inflation rates; changes to the regulatory environment (including review of Decent Homes standard); review of the Government Rent Standards and increase in repairs and maintenance costs. Appendix B of this report sets out a more detailed consideration of the overall 30-year viability of the Business Plan and the steps that are being taken to manage this.

The HRA unearmarked revenue reserve is currently £5.6million, a similar level is currently assumed for 2024/25. The financial impact of the above risks far exceeds the reserve held, but the likelihood of all these risks being incurred in any one year is low and therefore, it is not deemed prudent, nor offers best value

to hold sufficient reserves for all eventualities. However, the level of reserves will be monitored to ensure that the reserves levels are adequate to cover future expected pressures in the medium term.

6. ALTERNATIVE OPTIONS CONSIDERED

- 6.1** The Council is required to both set a balanced in year HRA budget and to ensure that in-year income and expenditure are balanced over 30 years. No other alternatives were considered.

7. REASONS FOR RECOMMENDATIONS

- 7.1** 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 2024/25 and for the overall 30-year viability. The delivery of a balanced HRA budget is dependent on setting a 7.7% rent increase for Council tenants as set out in this report.

Appendix A

Summary of Tenant Consultation on the Priorities

Introduction

We recently carried out a consultation with tenants and leaseholders, asking them about our council housing spending priorities for 2024-2025. Spending priorities are included in our Housing Revenue Account Business Plan and provide important background to our Business Plan.

Objective

The objectives of this consultation were:

- To gain a better understanding of tenant's views of our council housing spending priorities
- To understand which priorities rank highly indicating the issues that our tenants are most concerned about
- To understand why tenants are most concerned with some priorities.

Survey method

The consultation was carried out online on the Council's 'Have Your Say' engagement platform.

The introduction to the survey outlined all 14 of our proposed council housing spending priorities for 2024-2025. Respondents were then asked to:

1. Select up to 4 priorities that you think are most important (compulsory)
2. What were the main reasons you chose these priorities? (optional)

Demographic information

We collected some demographic information from our respondents. This helps us to understand how representative of our overall tenant base the respondents were. The demographic information is as below:

Demographic data	
Total respondents	106
Age profile	19-24: 4% 25-34: 21% 35-44: 12% 45-54: 16% 55-64: 21% 65-74: 20% 75+: 6%
% with a disability	44%
% BAME background	11%
Gender profile	Female: 66% Male: 31% Non-binary and other: 3%

We know that approximately 24% of our tenants have a Black, Asian and Minority Ethnic (BAME) background. This compared with the 11% of respondents

with a BAME background shows that the group was underrepresented in this consultation and is something that we will look to improve in future consultations. Another underrepresented group was male tenants. Approximately 42% of our tenants are male, but only 31% of respondents were male. There was a reasonable spread of respondents from different age brackets. We had a good response from under 55s, which is positive as this group has been underrepresented in some of our previous consultations.

Survey results

There were 106 responses to the consultation.



Analysis

- There was huge support for our priority around **improving the repairs service**, with 74% of respondents ranking it amongst their top priorities.
- In the follow up question “What were the main reasons you chose these priorities?” there were some clear themes around repairs.
- Respondents wanted the service to reduce the time to get through on the phone to report the initial repair, an improvement in the time that repairs are currently taking and an improvement in the repair quality.
- This response tells us that tenants feel strongly about improving our repairs service and reaffirms the need for us to focus significant efforts and resources on our repairs service with a view to continuing with necessary improvements in the year ahead. The feedback given in the follow up question is helpful in helping us to better understand what tenants see as the main issues with our repairs service.
- There was also significant support for our priority of **proactive neighbourhood management**, with 59% of respondents including this in their top 4.
- Again, call waiting times was an issue highlighted by tenants when reporting ASB. Another common theme in these accounts was respondents feeling like the council couldn’t take firm enough action, and therefore feeling like issues were going unresolved.
- Some respondents also described that they selected this as a priority because it is a basic issue that needs improving before we focus on other priorities. Despite the priority covering a broader remit than just ASB, many respondents think this is the area we need to focus our efforts. We will consider how we tackle this area in the year ahead.
- The third most popular priority was **tackling damp and mould**, with 55% of respondents selecting this as one of their top priorities.
- In the follow up question, many of these respondents again explained personal experience as their reason for choosing their priority and a desire to see some performance improvements in this area.
- Others described that this was not something they had experienced personally, but that they had selected it due to its seriousness and potential health hazard. We take this feedback seriously and acknowledge that this is an area over half of respondents have told us is important to them.
- Interestingly, the priority which ranked the lowest was **managing fire and building safety**. More consideration needs to be given to whether this is because tenants generally think we are performing well in this area, or whether it is something that only certain groups of tenants feel affected by (i.e. those living in high rise).
- It is worth noting that as part of this consultation we did not ask respondents for details about the type of property they live in, perhaps this is something we should consider for future consultations.

Conclusion

- This consultation has helped us to gain a better understanding of tenant's views of our council housing spending priorities.
- The priorities which ranked highly were sometimes described by respondents as the 'basics'.
- These are the areas where we will invest both time and financial resources in improving services to tenants. The proposals in this Business Plan, particularly the increased investment in repairs and in tackling damp and mould (as discussed at September's Housing Policy Committee) support this priority for customers.
- It is positive that we are also seeing some performance and satisfaction improvements in areas that are a priority for tenants around repairs, ASB and customer contact.
- This consultation does also show that we still have a lot to do to deliver on the expectations of our customers and this will help to shape our improvement planning for 2024/25.