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Report of: *Executive Director, Place*
Report to: *Cabinet*
Date of Decision: *20 January 2021*
Subject: *Housing Revenue Account (HRA) Business Plan and HRA Budget 2021/22*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
- Expenditure and/or savings over £500,000		<input checked="" type="checkbox"/>		
- Affects 2 or more Wards		<input checked="" type="checkbox"/>		
Which Cabinet Member Portfolio does this relate to? <i>Neighbourhoods and Community Safety</i>				
Which Scrutiny and Policy Development Committee does this relate to? <i>Safer and Stronger Communities</i>				
Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 808				
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

Purpose of Report:

The report provides the 2021/22 update of the Housing Revenue Account (HRA) Business Plan. It includes proposals to:

- Deliver our stock increase programme to build and acquire more council homes and develop plans to expand our current programme
- Invest in further health and safety measures including fire safety improvements
- Deliver improvements to our tenants' homes to make sure they continue to be well maintained

- Develop plans to respond to the Council's ambitions to address climate change and how council housing can contribute to achieving zero-carbon emissions by 2030
- Proactively manage our neighbourhoods, supporting existing, new and prospective council housing tenants
- Make improvements to our estate services
- Review housing offices and community buildings to ensure these are being fully utilised by tenants and residents

Recommendations:

It is recommended that Cabinet recommends to the meeting of the City Council on 3 February 2021 that:

1. The HRA Business Plan report for 2021/22 as set out in the appendix to this report is approved
2. The HRA Revenue Budget 2021/22 as set out in the appendix to this report is approved
3. Rents for council dwellings are increased by 1.5% from April 2021 in line with the Regulator of Social Housing's Rent Standard
4. Rents for temporary accommodation remain unchanged for 2021/22
5. Garage rents for garage plots and garage sites are increased by 1.5% from April 2021
6. The community heating standing charge is increased by £0.60 per week from April 2021. The unit kWh price will remain unchanged for 2021/22
7. The sheltered housing charge remains unchanged for 2021/22
8. The burglar alarm charge remains unchanged for 2021/22
9. The furnished accommodation charge remains unchanged for 2021/22

Background Papers:

Appendix – Sheffield City Council Housing Revenue Account Business Plan 2021-2022

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Karen Jones
		Legal: Andrea Simpson
		Equalities: Louise Nunn
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>Laraine Manley</i>
3	Cabinet Member consulted:	<i>Cllr Paul Wood</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Janet Sharpe</i>	Job Title: <i>Director of Housing</i>
	Date: 11th January 2021	

1. PROPOSAL

1.1 Summary

1.1.1 This report provides the 2021/22 update of the Housing Revenue Account (HRA) Business Plan and a 2021/22 revenue budget for the HRA.

1.1.2 A separate report on the Capital Programme, which includes the Council Housing Investment Programme 2021/22, will be considered by Cabinet in February 2021. This will include details of the Council's funded capital investment plan for council housing which complements the service and financial plans for the HRA in this report.

1.2 Background

1.2.1 The HRA is the financial account of the Council as landlord. It is ring-fenced in law for income and expenditure in respect of council housing and housing land and certain activities in connection with the provision of council housing only. Other council services are funded through council tax and central government support which benefits all citizens of Sheffield regardless of tenure.

1.2.2 The HRA Business Plan sets out how all aspects of council housing will be funded from income (predominately rents) that the local authority is able to generate in its capacity as landlord.

1.2.3 The HRA operates within a national political context; therefore, any changes within national housing policy can have a significant impact on the HRA Business Plan.

1.2.4 Each year the HRA Business Plan is reviewed and updated to set budgets and charges for the year ahead and to provide an updated 5-year plan and 30-year affordability profile.

1.2.5 The review of the HRA Business Plan is a dynamic process which reflects the Council's ambitions to be an excellent landlord. This is not just something that we undertake once a year.

1.2.6 The recommendations in this report are based on the best information available at the time of writing – December 2020. In a period of significant political and economic change, it is possible that some of these assumptions may need to be revisited before the next annual update of the business plan. We will monitor any developments directly impacting proposals within this report. If significant changes affect service delivery or the viability of the business plan, then a further report will be brought back to Cabinet.

1.3 Summary of Key Changes

1.3.1 • Coronavirus (COVID-19) Pandemic

The Coronavirus (COVID-19) pandemic has caused global social and economic disruption, affecting people's lives worldwide. Since March 2020, the ongoing impacts and response to the pandemic in the UK has included a number of measures such as national lockdowns and varying restrictions in an effort to curb the spread of the disease. As a local authority, we have had to change, adapt and work differently in order to ensure we have been able to provide our statutory and key council services to our customers and service users, at times only being able to respond to emergency or urgent cases.

• Welfare Reform

Welfare Reform has represented the biggest change to the benefits system in a generation. Supporting our tenants through these changes, and the transition to Universal Credit, continues to be a key priority. The roll out of Universal Credit commenced in Sheffield in November 2018 for new benefit claimants. Migration of existing claimants in Sheffield is ongoing and expected to continue until 2024.

The number of Universal Credit claims made by our tenants increased substantially in the first 3 months of the COVID-19 outbreak, mirrored with an increase in failed and cancelled direct debits. Some tenants had no experience or knowledge of the complex welfare benefits system or knew the help and support available. Reduced resources and more complex contacts as a result of the outbreak has meant prioritising cases with an ever-increasing demand for support and advice for our tenants. Under the emergency provisions in the Coronavirus Act 2020 all legal proceedings for possession, up to and including eviction, were suspended between March and September 2020. Although this suspension has now ended, notice periods before new proceedings can be issued have been significantly increased and there is a moratorium on evictions until at least 21st February (with the government keeping this date under review) except in really serious cases: antisocial behaviour, illegal occupation, fraud, domestic abuse or substantial arrears. This has led to an increase in arrears (some, but not all, due to the Covid-related financial pressures on tenants) and further pressures on the service.

Arrears have increased due to the current outbreak and total arrears are expected to increase significantly by the end of the financial year and beyond. We have increased our Hardship Fund and along with the continued hard work of staff within the service, arrears would have been higher. The Council generally and the Housing and Neighbourhoods Service specifically for the purposes of this report have provided support to households who because of COVID-19, have found themselves in financial difficulty and this support has helped to avoid the risk of losing their home.

We have also continued to support and help tenants to manage their money and understand their commitment to paying rent. We have continued to promote Direct Debit as a preferred payment method for all tenants and for those claiming Universal Credit it increases the likelihood of receiving full and prompt payment when monthly rent is due.

- **Fire and Building Safety**

Since the tragic events of the Grenfell fire in 2017, a number of measures have been announced by the Government to improve fire and building safety, especially for high-rise tower blocks and buildings of multiple occupancy. The independent review of building regulations and fire safety (The Hackitt Report) was published in 2018 and set out over 50 recommendations for the delivery of a robust regulatory system. The Government carried out a consultation, “Building a Safer Future”, on its proposals in response to these recommendations in June/July 2019, which we responded to.

Since the consultation, further steps to reform the Building Safety system to ensure residents are safe in their homes were announced by Government in April 2020. Measures include mandatory sprinkler systems and consistent wayfinding signage in all high-rise blocks of flats over 11 metres tall. Government also announced its intentions to create a new national Building Safety Regulator.

The Fire Safety Bill 2019-2021 which will amend the Regulatory Reform (Fire Safety) Order 2005 is currently progressing through Parliament. It will provide greater clarity over responsibility for fire safety in multi-occupied residential buildings. It will mean as a local authority, for all council owned flat and maisonette blocks we must manage and reduce the risk of fire for the structure and external walls of the building, including claddings, balconies and windows; and for entrance doors to individual flats that open into common parts.

All of these developments demonstrate significant change for the housing sector and will require major levels of both physical and engagement investment. The wider ranging regulatory changes, including a legislative requirement for residents to be part of and scrutinise the safety of their homes at every stage, means it will be important take proactive measures to ensure this happens. It is a priority for us to ensure our tenants are safe in their homes.

During 2020 we have been involved in a national best practice pilot to look at ways we can best provide fire safety information and how this can best be retained by our tenants and residents living in high rise tower blocks.

We will continue to take a pro-active approach to ensure we continue to comply with any further legislative requirements and that we continue to be a role model of good standards for the city and other social landlords to the way we manage and maintain our council housing homes.

- **The Charter for Social Housing Residents (White Paper)**

The Social Housing White Paper – The Charter for Social Housing Residents was published on 17 November 2020 and builds upon proposals set out in the 2018 Social Housing Green Paper – A New Deal for Council Housing.

The White Paper sets out reforms that will speed up the complaints procedure for residents by improving access to the Housing Ombudsman, reducing decision times and ensuring effective resolution. It will also make landlords more accountable for the services they deliver, including the introduction of a set of tenant satisfaction measures that landlords will have to report against. The White Paper introduces a new charter for social housing residents which sets out what every social housing resident should be able to expect:

1. **To be safe in your home**, *working with industry and landlords to ensure every home is safe and secure*
2. **To know how your landlord is performing**, *including on repairs, complaints and safety, and how it spends its money, so tenants can hold it to account*
3. **To have your complaints dealt with promptly and fairly**, *with access to a strong ombudsman who will give tenants swift and fair redress when needed*
4. **To be treated with respect**, *backed by a strong consumer regulator and improved consumer standards for tenants*
5. **To have your voice heard by your landlord**, *for example through regular meetings, scrutiny panels or being on its board. The government will provide access to help tenants to learn new skills if needed, to ensure landlords listen*
6. **To have a good quality home and neighbourhood to live**, *with landlords keeping homes in good repair*
7. **To be supported to take your first step to ownership**, *so it is a ladder to other opportunities, should your circumstances allow*

The White Paper proposes measures that will require greater transparency and scrutiny of both HRA finances and performance. The Regulator of Social Housing will ultimately set these standards and will undertake proactive inspection visits to ensure that we are meeting these standards. However, we are already working with our tenant representatives to develop local performance monitoring in advance of announcements from the Regulator and will continue to adapt as we

know more.

The proposals set out in the White Paper will need further legislation to bring them into force. There is currently no timescale for this but as legislation is developed, we will be able to look at all the proposals in further detail. We hope that the proposals will help us to improve standards and help how our tenants and residents are able to engage with us.

- **Brexit**

The UK left the European Union on 31 January 2020 and moved into an 11-month transition period. The transition period meant that the UK continued to follow EU rules, whilst negotiations continued around agreeing a trade deal. Impacts as a result may include increase costs of construction materials imported from the EU, a shortage of skilled workers within the construction industry and increased inflation and interest rates - all which will have an impact on the HRA Business Plan. We will continue to monitor the impacts of Brexit and leaving the EU throughout 2021/22.

- 1.3.2 The HRA Business Plan will need to factor in further, the impacts and cost implications of all the areas covered in the above sections.

1.4 Local Impacts of National Changes

- 1.4.1 The HRA Business Plan has had to face a number of financial pressures over the last few years which have had a significant impact on the plan, such as reforms within our welfare system and changes in social rent policy. In 2020, the Coronavirus (COVID-19) pandemic is something we have had to face with little knowledge or insight. The short-term effects of the virus have already had a devastating impact both economically and socially, both at a national and local level.

- 1.4.2 The Council declared a climate change emergency in 2019 and since this time has been working towards Sheffield becoming a zero-carbon city by the end of the next decade. A dedicated piece of analysis work has already been produced by the Tyndall Centre for Climate Research, recommending the city must not exceed a budget of 16 million tonnes of carbon emissions over the next 2 decades. This highlights a need for rapid decarbonisation across the city and the Council is working with partners to develop a zero-carbon plan to look at ways to reach its carbon zero targets. Housing can have an impact in addressing the climate change emergency and the Council's ambition to become zero carbon by 2030. This will require changes in the way that we manage our existing council housing stock, cost and policy implications and our plans for investing in new council homes.

- 1.4.3 Our commitment to investing in fire safety is an area that will need to be protected but at the same time we are also facing extra pressure to

respond to climate change and contributing to reducing the city's carbon emissions. The costs of upgrading our housing stock in response to climate change is likely to be expensive. There will be options around the levels and extent we are able to invest but it may mean we won't be able to invest in other areas as a result.

- 1.4.4 We are continuing to lose homes because of Right to Buy, therefore it is essential that we continue to increase the number and types of homes we can provide. This is to not only help mitigate Right to Buy loss but to ensure we have the right types of homes to help meet the increasing demand.
- 1.4.5 It also remains important for us to invest in our existing homes to ensure they are safe and comfortable for our tenants. As our main source of income to the HRA is from rents, it is important that we have good quality and appealing homes that our tenants want to live in. We understand that our tenants want to live in attractive and safe neighbourhoods and so upgrading the outside areas such as footpaths and outside lighting remains a key investment priority.
- 1.4.6 Supporting the local economy including providing improved employment and skills outcomes remains a key priority for the Council. We currently have 80 apprentices within the Housing and Neighbourhoods Service and recruit around 20 new apprentices a year, with many becoming permanent members of staff. Our plan is to increase the number of apprentices per year going forward as we seek this as a key part of our succession planning for the service. We also offer a number of graduate roles available each year within the service. In addition to this, our Repairs and Maintenance Service benefits greatly from apprentices. We recruited an additional 45 apprentices in 2020, taking the total of apprentices in the Repairs Service to 100.
- 1.4.7 As part of our tendering and procurement processes we look at how this work can incorporate local employment and apprenticeship opportunities. We will continue to strengthen our relationships with existing and future contractors and subcontractors to ensure we are able to continue to contribute to supporting the local jobs economy.
- 1.4.8 The Coronavirus (COVID-19) pandemic has had a major impact on the way we have been able to deliver our key services to our tenants. Initially we were only able to deliver our key statutory duties and services whilst we adapted the way we worked to consider the ever-changing environment. This has posed some real challenges to the service; however, we have adapted our ways of working to ensure we have been able to support our tenants the best way we can. We have continued to support any tenant financially struggling by engaging with them and setting up support and payment plans. The level of rent arrears impacts significantly on the business plan as we predominantly rely on this income to provide our council housing services. Increasing our Hardship Fund, encouraging Direct Debits and providing financial advice and support are ways we will continue to help our tenants and mitigate the

impacts on the business plan.

- 1.4.9 We have continued to support tenants throughout the pandemic by actively engaging with them, through phone calls, essential tenancy visits and other means, to ensure they are supported, especially our more vulnerable tenants. Our Housing and Neighbourhood teams have been working closely with the Community Response Team, with some housing staff temporarily re-deployed to ensure tenants are not isolated and have been able to receive any support they have needed. We are also continuing to provide support services for our 1,200 Older People's Independent Living (OPIL) tenants. Measures have been put in place to help protect our older tenants within our OPIL schemes. Warden staff have been reassuring tenants, providing ongoing support and on-site activities to help address any concerns from tenants feeling isolated or lonely and to help ensure they are safe during this time. We have retained front line essential services throughout the outbreak and have ensured our estates, particularly flats and maisonette blocks have had increased cleaning and maintenance provision.
- 1.4.10 Impacts to the construction industry has meant there were some delays to our stock increase programme and our capital investment programme because of the initial outbreak. Our new build sites as part of our stock increase programme have continued to operate throughout the pandemic but at a reduced pace. We have been able to resume our investment works following the lifting of national restrictions and are continuing to deliver planned works as part of the overall programme.
- 1.4.11 Our repairs service has been impacted as we were only able to complete emergency repairs and gas safety servicing during the initial outbreak and again for the second national lockdown. This has led to a backlog in repairs that the service needs to complete, and we are continuing to work through this, whilst managing tenant expectations.
- 1.4.12 The HRA Business Plan will be continually reviewed to address these pressures and ensure the business plan can be financially viable and sustainable for future years.

1.5 HRA Business Plan Priorities 2021/22

- 1.5.1 The key priorities for the HRA Business Plan 2021/22 are to:
- Deliver our stock increase programme to build and acquire more council homes and develop plans to expand our current programme
 - Invest in further health and safety measures including fire safety improvements
 - Deliver improvements to our tenants' homes to make sure they continue to be well maintained

- Develop plans to respond to the Council’s ambitions to address climate change and how council housing can contribute to achieving zero-carbon emissions by 2030
 - Proactively manage our neighbourhoods, supporting existing, new and prospective council housing tenants
 - Make improvements to our estate services
 - Review housing offices and community buildings to ensure these are being fully utilised by tenants and residents
- 1.5.2 The key priorities for the HRA Business Plan 2021/22 will continue to feed into the wider Council and Housing and Neighbourhoods vision.
- 1.5.3 Further details of the key themes can be found within the priorities chapter within the HRA Business Plan 2021/22 appendix report.

1.6 Investment Programme

- 1.6.1 The aim of the investment programme is to effectively use capital and planned expenditure on our housing stock to improve tenant’s homes, encourage sustainability and to reduce future revenue repair costs.
- 1.6.2 The 5-year investment programme will continue to prioritise work that keeps people safe and it will deliver improvements to people’s homes (kitchens, bathrooms, windows, doors, roofs, communal areas etc.) to make sure they continue to be well maintained.
- 1.6.3 The Government White Paper - The Charter for Social Housing Residents, published in November 2020, proposes a review of the Decent Homes Standard, which is referenced in the Social Housing Regulator’s Home Standard, to consider whether this needs to be updated to ensure it is delivering what is needed for safety and decency now. The first part of the review is expected to be completed by Autumn 2021. We will continue to monitor developments in relation to the review and await the results of any outcomes as a result.
- 1.6.4 We welcome the opportunity to work with Government on new standards and need to make sure that the HRA Investment Programme is balanced between the old stock and replacement of this and the new homes. This will be vitally important as we prepare for the new regulatory arrangements set out in the Social Housing White Paper. In preparation for this and to ensure that we are continually providing the best possible services for our tenants, we have actively sought best practice and benchmarking, working closely with the Social Housing Regulator.
- 1.6.5 We are committed to achieving and working to higher standards which holds us in good stead in preparing for any new regulatory arrangements

proposed in the Social Housing White Paper. We have already achieved ISO 450001 certification for occupational health and safety and ISO 14001 certification for environmental standards, demonstrating that we are committed to improving our standards and want to build on this further.

- 1.6.6 The COVID-19 outbreak resulted in some delays to the planned programme during 2020/21. This has meant some of our planned works will take place later than originally planned and fall into 2021/22 and into later years of the programme. Further planning will be required to see how this will impact on other areas of the 5-year capital programme and we will continue to monitor this during 2021/22.
- 1.6.7 Our commitment to increasing the number of new / replacement council homes remains a high priority. Our plans are to deliver 3,100 new homes by 2028/29. At the time of writing this report, we have delivered 631 new homes (a mixture of homes purchased on the open market and new homes built or acquired off plan).
- 1.6.8 Last year we stated that as part of our stock increase plans, we will include a greater range of homes to help meet the significant shortfall of some types of homes that the Council has available for letting. Our first new Independent Living Housing scheme (Older Persons Independent Living with Care) is currently under construction in Parson Cross and is due for completion in Spring 2022. We are also developing plans for new Older Persons Independent Living Schemes in the South and South East of the city which will improve the choice and type of homes available for older people within the city. Our new learning disabilities accommodation has been completed and will be ready for occupation in early 2021.
- 1.6.9 We will continue to explore a range of different delivery options to maximise the number of new council homes we are able to provide. Options include building on the Council's housing land (held for the purposes of Part II of the Housing Act 1985 and accounted for in the HRA), acquiring homes for sale, purchasing "off plan" from private sector developers and acquiring land for the purpose of building new Council homes.
- 1.6.10 Our ambition through the life of this business plan is to increase the number of new council homes we can provide, extending our stock increase programme commitment beyond the end of the existing programme of 3,100 homes. We are exploring the different ways in which we can deliver these homes, balancing prudential borrowing with grant maximisation. As we expand on our current programme and plans are further developed, we will bring any proposals back through Cabinet.
- 1.6.11 In 2020 we have looked further into developing a small programme of Shared Ownership homes as an affordable housing option in Sheffield. It is intended that these homes will be delivered as part of the HRA Stock Increase Programme. The Government has announced a new shared ownership model to be used from April 2021 and has recently consulted

on its implementation. Following the outcome of the consultation Homes England will issue new guidance. A report setting out how the Sheffield City Council shared ownership properties will be managed will be produced for consideration by Cabinet in within the next few months, when this detail is clearer.

- 1.6.12 The Repairs Service have completed a major review of the service and developed a new target operating model with clear priorities for change and improvements. Change has started and will be continuous over the next 18 months with the overall aim of achieving a sustainable operating model that delivers excellent value for money services to the tenants and residents of Sheffield City Council.
- 1.6.13 Areas of improvement within the service have included a restructure to the service to help reduce operating costs; a more focused approach to planned and cyclical maintenance; improving customer focus and collaboration with key stakeholders; modernising the service delivery through investment in ICT; improvements to performance management, reporting and productivity, improving financial management and procurement and supply chain management.
- 1.6.14 The Government has set out its plans for achieving zero-carbon emissions and within the housing sector this will be a massive challenge. It is estimated that across the whole of the housing sector it will take over a billion pounds to bring all existing stock of all tenures to a zero-carbon position by 2030. This will be one of the biggest challenges facing the Council and Sheffield has set an ambition to become a zero-carbon city by 2030. This will require changes in the way that we manage our existing housing stock, cost and policy implications and our plans for investing in new council homes.
- 1.6.15 Most of our council housing stock does perform highly, with around 31,000 of the council's housing stock having already reached the Government's target of having an EPC C rating. Over the next 10 years we aim to raise the EPC ratings on remaining properties within our stock. We recognise more needs to be done to reach a zero-carbon position, however this will involve a substantial investment to be identified and using a range of new technologies and materials. The Government has launched a range of grant programmes to assist with making homes greener and we will continue to explore funding options that we may be eligible for to assist us with our ambitions.
- 1.6.16 We have yet to fully integrate these costs into our 30-year plan. We will continue to explore options around retro fitting our existing stock, ensuring that our on-going investment programme fully considers the challenge ahead. As part of our council housing stock increase programme we are already delivering new build homes with enhanced performance specifications such as increased thermal efficiency and increased air tightness. We are also exploring further options for our future new build homes to achieve low-carbon emitting, no-gas homes.

- 1.6.17 Finally, we intend to review our costs and office portfolio over the next 12 months to ensure that it still meets our needs and delivers value for our tenants and our business. A corporate review of community buildings is taking place to help ensure best use of these facilities and explore other community provisions within local areas. Housing community buildings (accounted for within the HRA) will be included in this review.
- 1.6.18 Further detail on the investment programme is available in the HRA Business Plan 2021/22 appendix report.

1.7 Financial Plan

- 1.7.1 The financial plan is based on a number of key assumptions to help us mitigate risks or changes that may occur in the coming year. All assumptions are reviewed and refreshed each year to reflect the changing economic environment in which the business plan operates.
- 1.7.2 Borrowing must comply with the provisions of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, made under the Local Government Act 2003, which require the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure within a clear framework that the capital investment plans of local authorities are affordable, prudent and sustainable and that decisions are taken in accordance with good professional practice

1.8 Financial Assumptions

- 1.8.1 Rents for council dwellings are to be increased by 1.5% from April 2021 in line with the Regulator of Social Housing's Rent Standard. This is equivalent to an average increase of £1.13 per week. Rents for temporary accommodation will remain unchanged in 2021/22. Appendix C to the HRA Business Plan 2021-2022 report sets out the average rents per house size in Sheffield.
- 1.8.2 The rent increase for 2021/22 is a lower increase than originally assumed in the HRA Business Plan. This is due to lower inflation rates in 2020 mainly due to the impacts of COVID-19 on the economy. Service plans and spending has had to be adjusted as a result meaning less revenue for capital spending than what was originally assumed.
- 1.8.3 Arrears have increased significantly due to the current outbreak and total arrears are expected to increase by £2-4 million by the end of the financial year. Arrears will continue into further years because of the COVID-19 outbreak and it will take some time for this to reduce. An additional £450k has been allocated to our Hardship Fund to help support households in financial difficulty and ensure they are able to remain in their home. This is alongside other support mechanisms in

place such as providing money management and budgeting advice. We recognise that many of our tenants will be in financial hardship as result of the COVID-19 outbreak and we will continue to support tenants throughout 2021/22 and beyond.

- 1.8.4 The process of making all council housing rents equitable over time by letting vacant properties at the target rent level will continue. Currently the average rent is £0.72 less than 'target' compared with a difference of £0.73 last year.
- 1.8.5 Garage rents for garage plots and garage sites will be increased by 1.5% from April 2021 in line with dwelling rent increases.
- 1.8.6 The burglar alarm charge from April 2021 will remain unchanged for 2021/22.
- 1.8.7 The sheltered housing service charge will remain unchanged for 2021/22.
- 1.8.8 The furnished accommodation charge will remain unchanged for 2021/22.
- 1.8.9 Although charges for burglar alarms, sheltered housing and furnished accommodation will remain unchanged for 2021/22, we will continue to monitor and review these during the year. This may mean in future years these will need to be increased.

1.9 **Community Heating Charges**

- 1.9.1 The community heating standing charge is to increase by £0.60 per week from April 2021. The unit kWh price will remain unchanged for 2021/22.
- 1.9.2 The increase to the standing charge is required in 2021/22 to ensure the community heating account is balanced and to minimise future spikes in charges to customers. This will allow the retention of a sufficient level of reserve should there be future increases in the price of gas. Initial work has indicated that investment will be required in our boiler houses – many which are old and obsolete. The challenge of reaching zero carbon emissions means that alternatives to gas may be recommended which may change the energy profile and costs for community heating.
- 1.9.2 The Council's heat metering scheme which began in 2014 has proven to be very successful. Since the introduction of smart meters, our customers are now saving around 40% on their heating bills compared to their previous unmetered supply. The system also provides us with comprehensive data about how each home is using their heating and gives us the ability to support and advise tenants who might be worrying about switching on their heating. This is enabling us to support individuals more and intervene earlier where required.

1.9.3 In addition to the financial savings our customers are making, there are significant environmental benefits being realised because of heat metering, in the form of lower carbon emissions which will help Sheffield meet its zero carbon ambitions.

1.9.5 A full breakdown of all community heating service charges is set out in Appendix C to the HRA Business Plan 2021/22.

1.10 HRA Budget 2021/22

1.10.1 Appendix A to the HRA Business Plan 2021/22 sets out the recommended budget for 2021/22.

1.11 Forecast Outturn 2020/21

1.11.1 Revenue budget monitoring reports have been presented during the year to Cabinet. The latest position is shown at appendix A to the HRA Business Plan 2021/22.

1.11.2 Further monitoring reports updating the 2020/21 position will be presented in accordance with the Council's budget monitoring timetables.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The proposals in this report are aimed at maximising financial resources to deliver outcomes to council tenants in the context of a self-financing funding regime, developments in national policy, the current economic climate and reductions in government funding. They will contribute towards the Corporate Plan priorities of Thriving Neighbourhoods and Communities, Tackling Inequalities and being an In-touch Organisation.

2.2 The HRA Business Plan 2021/22 will continue to contribute to the delivery of wider housing strategies and policies such as the Housing Strategy 2013-2023, the New Homes Delivery Plan 2018-2023, the Homelessness Prevention Strategy 2017-22 and the Older People's Independent Living Housing Strategy 2017-22.

2.3 The Council must ensure that as a self-financing entity council housing in Sheffield has a sustainable future. The purpose of the HRA Business Plan report for 2021/22 is to ensure the cost of council housing - including investment in homes, services to tenants, the servicing of debt and overheads - can continue to be met by the income raised in the HRA.

2.4 The foundation of the HRA Business Plan is ensuring council homes are occupied because letting homes generates the rental income which funds all aspects of council housing.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 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 have been kept informed of developments in relation to the HRA Business Plan and updates around housing national policy and key service updates because of COVID-19 via a number of communications. This has included the Housing and Neighbourhoods Advisory Panel (HANAP), Housing and Neighbourhoods Partnership Group (HNPG), online meetings and e-bulletins such as Your TARA News, Your Home Your Neighbourhoods and a fortnightly Housing and Neighbourhoods Service news bulletin.
- 3.3 The use of online news bulletins to inform tenants on the latest developments and news has enabled us to easily and quickly get information shared about the latest service updates as well as being able to share positive news stories that has been much needed during this time.
- 3.4 The COVID-19 pandemic has meant we have had to change some of the ways that we communicate and consult with our tenants. We have not been able to host our usual face to face meetings and groups so have had to think differently to ensure we have still been able to provide a way of engaging with our tenants.
- 3.5 Our Housing and Neighbourhoods Partnership Group (HNPG) and Housing and Neighbourhoods Advisory Panel (HANAP) have continued with meetings held digitally via online meeting platforms. Tenant and Residents Associations (TARAs) have been encouraged to use digital methods to keep in touch with their local communities. The Housing and Neighbourhood Service, in collaboration with Heeley Trust, have provided support and training for TARAs who have wanted help to establish an online presence whether this be through setting up a Facebook Page or hosting an online meeting.
- 3.6 A special HANAP meeting is taking place in January 2021 to consider the proposals within this Cabinet report. This report will also be discussed with tenant representatives at the Housing and Neighbourhood Partnership meeting on 14 January 2021. Any relevant comments and views expressed will be offered verbally to the Cabinet meeting.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 A full Equalities Impact Assessment (EIA) has been completed for these Business Plan proposals. Issues raised will be addressed through regular monitoring against actions in the EIA.

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

4.2 Financial and Commercial Implications

4.2.1 The 2021/22 budget follows the principles set out in the original self-financing HRA Business Plan produced in 2012 and allows for a continuation of services to tenants, revenue repairs to properties and also financial support for the council housing investment programme by means of a contribution from revenue.

4.2.2 Any annual revenue surpluses on the account will continue to support the 30-year Business Plan.

4.2.3 The Council Housing Capital Programme including the stock increase programme will require the HRA to support further borrowing as allowed under the current Government guidelines. The debt strategy for the HRA will continue to be reviewed and developed in accordance with the Council's treasury management policy.

4.2.4 Further details on the Council Housing Capital Programme will be set out in the report to Cabinet on in February 2021.

4.2.5 Appendix A within the HRA Business Plan 2021/22 report details the initial 5-year projections for the HRA income and expenditure account. These are based on current assumptions and will be reviewed during 2021/22 in the light of any known changes.

4.3 Legal Implications

4.3.1 The duty to keep a Housing Revenue Account and prevent a debit balance on it and restrictions as to what may be credited or debited to the account ("the ringfence") are governed by Part VI of the Local Government and Housing Act 1989 (the 1989 Act). This formerly included provision for annual HRA subsidy paid by central Government to local housing authorities, as determined by the Secretary of State. HRA subsidy was abolished by the Localism Act 2011, which provided for the Secretary of State to make a determination providing for the calculation of a settlement payment to or from each local housing authority. This settlement and its implications for the self-financing HRA continue to inform the HRA Business Plan.

4.3.2 The HRA provisions in the 1989 Act include the duty in January or February each year to formulate proposals relating to HRA income and expenditure. Those proposals are contained in this report.

4.3.3 By section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine and must from time to time review rents and make such changes as circumstances may require. Such circumstances will of course include other statutory requirements such as those described in

this report. The duty to review rents and make changes is itself subject to the requirements for notice of a variation set out in Section 103 of the 1985 Act. The notice must specify the variation and the date on which it takes effect which must be at least four weeks after the date of service. To implement the rent variation recommended in this report notice of the variation must be sent to all tenants within the first week of March at the latest.

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

4.4 Risk Management

- 4.4.1 The risk management plan is the basis of the Council's risk management strategy for the HRA Business Plan.
- 4.4.2 The key risks to the HRA Business Plan have been identified and are listed in the risk section of the appendix report. The business plan is based on our best assumptions; however key risks such as the transition to Universal Credit, interest rates and inflation could have significant impacts to the business plan.
- 4.4.3 Given these risks, it is proposed that a mid-year review of the business plan is carried out and brought back to Cabinet only if significant changes affect service delivery or viability.
- 4.4.4 Following an assessment of the current risks to the HRA in the coming 5 years it is proposed for 2021/22 for a reserve level of £5.6m. Due to the ongoing impacts of the COVID-19 outbreak, it is proposed that the reserve level is monitored throughout the year with the flexibility to change this within the year if required.
- 4.4.5 The main viability test for the business plan is its capacity to repay debt over the life of the plan. Having this capacity provides cover for any changes in interest rates.
- 4.4.6 The long-term viability of the plan is dependent on the delivery of additional savings that will be required in the coming years.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Sheffield City Council has a statutory duty to produce an annual balanced HRA budget, which is evidenced by the business plan update, therefore no alternative option was considered to producing this report.

6. REASONS FOR RECOMMENDATIONS

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

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

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

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