



Author/Lead Officer of Report: Janet Sharpe,
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Report of: *Executive Director, Place*
Report to: *Co-operative Executive*
Date of Decision: *19 January 2022*
Subject: *Housing Revenue Account (HRA) Business Plan and HRA Budget 2022/23*

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? Housing, Roads and Waste Management				
Which Scrutiny and Policy Development Committee does this relate to? Overview and Scrutiny Management Committee				
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? 985				
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

Purpose of Report:

The report provides the 2022/23 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 to meet our target of 3,100 homes by 2028/29
- Deliver improvements to our tenants' homes to make sure they continue to be well maintained
- Deliver year on year targets to achieve the 'Better Repairs Project'
- Invest in fire safety measures to ensure our council homes comply with the emerging building safety legislative environment

- Deliver on plans to ensure all Sheffield City Council homes reach Energy Performance Certificate (EPC) level C by 2030
- By 2022, produce a roadmap showing further options for council housing's contribution to achieving Sheffield's ambition of net-zero by 2030
- Focus on the quality of our customer service offer – improving customer access, the management of complaints and implementing recommendations from the Race Equality Commission
- Deliver improvements to the frontline neighbourhood housing services our tenants receive
- Work closely with Council colleagues to support the development of Local Area Committees across the city
- Consult with tenants over plans to charge for enhanced services and introduce cost recovery for some repair and housing management activities
- Develop apprenticeship, employment, and training opportunities to create a workforce representative of housing communities across the city
- Invest in updating our information technology infrastructure to seamlessly integrate with the wider Council systems
- Develop more agile ways of working as we learn to adapt post COVID-19 and address any remaining backlogs caused by the pandemic

Recommendations:

It is recommended that Co-operative Executive recommends to the meeting of the City Council on 2 February 2022 that:

1. The HRA Business Plan report for 2022/23 is approved
2. The HRA Revenue Budget 2022/23 as set out in the financial appendix to this report is approved
3. Rents for council dwellings are increased by 4.1% from April 2022 in line with the Regulator of Social Housing's Rent Standard
4. Rents for temporary accommodation are increased by 4.1% for 2022/23
5. Garage rents for garage plots and garage sites are increased by 4.1% from April 2022
6. The community heating kWh unit charge is increased from 3.04 pence to 5.69 pence from April 2022. The standing charge is also increased from £4.80 to £4.90 per week from April 2022.
7. The sheltered housing charge is increased by 3.1% for 2022/23
8. The burglar alarm charge is increased by 3.1% for 2022/23
9. The furnished accommodation charge is increased by 3.1% for 2022/23

Background Papers:

Appendix – Sheffield City Council Housing Revenue Account Business Plan 2022-2023

Appendix - Sheffield City Council Housing Revenue Account Business Plan 2022-2023 Financial Appendix

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: Stephen Tonge 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: Mick Crofts		
3	Cabinet Member consulted: Cllr Paul Wood		
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.		
<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Lead Officer Name: Janet Sharpe</td> <td style="width: 50%;">Job Title: Director of Housing</td> </tr> </table>		Lead Officer Name: Janet Sharpe	Job Title: Director of Housing
Lead Officer Name: Janet Sharpe	Job Title: Director of Housing		

Date: 10.01.22

1. PROPOSAL

1.1 Summary

- 1.1.1 This report provides the 2022/23 update of the Housing Revenue Account (HRA) Business Plan and a 2022/23 revenue budget for the HRA.
- 1.1.2 A separate report on the Capital Programme, which includes the Council's Housing Investment Programme 2022/23, will be considered by the Co-operative Executive in February 2022. 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 but an ongoing dialogue with tenants to identify investment and service priorities that will improve the quality of homes and services provided. The final proposals as set out in this report, have been consulted on and supported through regulatory tenant governance as recommended in the new Social Housing White Paper.
- 1.2.6 The recommendations in this report are based on the best information available at the time of writing – December 2021.

1.3 Summary of Key Changes

1.3.1 • **Coronavirus (COVID-19) Pandemic**

Last year, following Government guidance, we adapted our ways of working to focus on the delivery of statutory and critical services to our customers. We have gradually reinstated our face-to-face activities over the past 12 months, re-opening some of our neighbourhood offices, providing home visits to tenants and undertaking repairs to tenants' homes. In 2022/23 we will use our learning from the pandemic and look at developing further future agile working, feeding this into a comprehensive review of our customer service offer.

The delivery of the existing projects on the housing investment programme has largely continued throughout the pandemic alongside council housing regulatory and compliance responsibilities. The pandemic did however slow down some projects. We understand that some of our tenants will still need extra support so we will continue to actively engage with our most vulnerable tenants and ensure they have additional support in place where required. We will continue to work in accordance with Government guidelines in 2022.

There have been some significant risks and delays as part of the management and maintenance of the council housing stock due to national COVID-19 restrictions. A key priority for 2022/23 is to resume services safely, increase front line service activity, tackling non-compliance, tenancy breaches and issues that are having a negative impact on council tenancies and neighbourhoods. We will look to take a more pro-active and multi-tenure approach to dealing with tenancy management issues within our neighbourhoods. This work will help to highlight responsibilities as part of our tenancy conditions, and we will explore potential cost recovery options as part of this.

1.3.2 • **Fire and Building Safety**

The Fire Safety Act 2021 received Royal Assent in April 2021 providing greater clarity over responsibility for fire safety in multi-occupation residential buildings. For all council owned flat and maisonette blocks, our focus is on reducing the risk of fire for the structure, external walls and doors that open into communal areas.

There will also be other changes in legislation with regards to high rise building safety management which may require us to look at how we manage tenancies in the future and, this may require future housing management policy changes. The Building Safety Bill that was launched in July 2021 is expected to come into force from April 2022 in phases to be confirmed.

The new legislative landscape places significant duties on us as a landlord. This not only considers the buildings but equally important the building occupants. The Bill provides the next steps in reforms to give residents more rights and decision making about their homes, powers and protections and sets out significant changes to the way residential

buildings should be constructed, managed on a day-to-day basis, and maintained in the future.

Some of the key requirements are:

- Improved understanding of who is living in homes classed as high-risk high rise
- Specific arrangements for regular engagement with the residents of high-risk residential buildings - this includes a named Building Safety Manager
- Changes to the management of tenancies and leasehold properties and a requirement to produce a Personal Emergency Evacuation Plan (PEEP)
- Provision of electronic copies of an evacuation plan for our buildings to the local Fire & Rescue Service
- Monthly checks on the operation of lifts intended for use by firefighters in our buildings
- Annual checks of flat entrance doors and quarterly checks of all fire doors in the common parts of multi-occupied buildings
- Provision of fire safety instructions to our tenants and residents in multi-occupied buildings

Further detail is expected to be included in separate secondary legislation and will provide further clarity of how specific elements of the Bill will work. We continue to actively work with the Department of Levelling Up Housing & Communities (DLUHC) on building safety matters, commenting on draft guidance and toolkits. We are taking a pro-active approach to ensure we have the resources in place to comply with any further legislative requirements and we are bringing forward fire safety improvements to blocks and developing a resident engagement plan.

1.3.3 • **Welfare Reform**

At the beginning of the COVID-19 pandemic, we experienced a steep increase in the number of Universal Credit claims made by our tenants (which increased by more than 10%). Over the last 12 months this has levelled out, but there are still over 9,000 working age tenants still claiming Housing Benefits who will need to transition to Universal Credit. Experience shows that most new Universal Credit claimants accrue additional arrears in the first 3 months of their claim so we will continue to make support available for any tenant that needs it.

We continue to provide a tailored service to different customer groups, helping all those in need of support to manage their money and understand their commitment to paying rent and other charges. We promote Direct Debit as the preferred payment method for all tenants, including those claiming Universal Credit, as it increases the likelihood of receiving prompt payment of rent. Collaboration also takes place across the Council and with the Department of Work and Pensions (DWP),

Children's Services and Charities to ensure our tenants and their families have the level of support required.

Rent accounts and the issues faced by tenants tend to be more complex to manage than before the pandemic started. There have been several changes to how tenants have been protected by the Coronavirus Act 2020. Legal action is now being taken cautiously to recover rent arrears, although the increase in these numbers has been slow so this has created a significant backlog of cases, whilst also ensuring tenants are supported wherever possible to reduce the risk of losing their home and homelessness.

1.3.4 • **The Charter for Social Housing Residents (White Paper)**

The Government's [Social Housing White Paper – The Charter for Social Housing](#) - sets out reforms intended to make landlords more accountable for the services they deliver, changes to the complaints process and the introduction of a set of tenant satisfaction measures that all landlords will have to report against. It is also expected that Sheffield, like many other cities, will benefit from a comprehensive Government inspection regime on a regular basis which is likely to commence in 2023/24 or earlier if triggered by failures to deliver services against tenant priorities.

We have produced a new [Customer Engagement Strategy](#) and a new set of [Landlord Commitments](#) (formerly called Customer Promises) in anticipation of the new standards to be announced by the Regulator. The Engagement Strategy is a first step in addressing the 'customer voice' section of the White Paper. The Strategy was produced in consultation and engagement with our tenants to ensure we have incorporated their views and feedback on how we should be engaging and involving our tenants.

The Landlord Commitments will drive service improvements for our customers as well as significantly contributing to our compliance with the many regulatory responsibilities and requirements of the White Paper. Compliance with these regulatory requirements will be mandatory, and proactive regulation and monitoring by the Regulator of Social Housing is expected. Detailed work has taken place by Housing and Neighbourhoods Service to prepare for the new regulatory regime and engagement with the Housing Ombudsman and Government Regulator. Sheffield has been working at a national level for some time in preparation for the new arrangements.

The White Paper also included a policy measure to review the Decent Homes Standard, to consider whether this needs to be updated to ensure it is delivering what is needed for safety and decency now. We are expecting that a new Decent Homes Standard (including energy and environmental standards) is to be consulted on this year. It is not clear at this stage the level of investment that will be required to meet this standard and whether any funding will be provided to support its

introduction. Once the new standard has been confirmed, a detailed report will be brought back to the Executive Co-operative as this may necessitate reviewing the HRA Business Plan. Sheffield is actively working with the Department of Levelling Up Housing & Communities (DLUHC) on the new standard with official, alongside a small number of Local Authorities. We will be continuing to monitor developments in relation to the review and await the timetable for changes.

1.4 Local Context

1.4.1 The HRA Business Plan is set within a wider strategic context of the overall ambitions of Sheffield City Council and those of the Housing and Neighbourhoods Service.

1.4.2 [Sheffield City Council's One-Year Plan](#) was approved in July 2021 and is a roadmap to the City's recovery from the pandemic. The plan sets out several priorities for the Council to deliver on, that will make an immediate impact to help rebuild and recover. A number of these priorities relate directly to the Housing and Neighbourhoods Service. Our business plan priorities align with the One-Year Plan priorities and will support the delivery of these commitments to the residents of Sheffield. The Council are also developing a 3–5-year corporate plan which the HRA Business Plan will align to and ensure delivery of corporate priorities.

1.4.3 As well as the Sheffield One-Year Plan and the longer-term corporate plan that is to be developed, the HRA Business Plan will also help to support a range of other related strategies such as:

- The Housing Strategy
- Affordable Housing Strategy
- Council Housing Stock Increase Programme
- Homelessness Prevention Strategy
- Older People's Independent Living (OPIL) Housing Strategy
- New Homes Delivery Plan

1.4.4 The Council's Stock Increase Programme also includes plans specifically to increase the provision of specialist housing. This includes older people's independent living and housing for people with learning disabilities. As part of our existing plans, we will look at options of increasing this provision further and extending this to additional homes for care leavers. This will help to support other areas of the Council such as Children and Young People and Adult Social Care.

1.4.5 The HRA currently contributes to the cost of Council community buildings across the city. We have experienced a reduction in demand for these buildings, even prior to the pandemic, and a subsequent reduction in income. There may be opportunities as part of the Corporate Buildings Review to look at existing facilities in our communities and explore options of consolidating in fewer, better used sites.

- 1.4.6 In 2021, seven Local Area Committees (LACs) were set up to promote the involvement of local people in the democratic process and to bring decision making closer to local people. The LACs are a way for people to get involved in making a difference to their local communities. As the Council's housing services are delivered across the city, we will ensure the business plan priorities feed into the LACs priorities and plans. We will continue in 2022/23 to work closely with Council colleagues to support the development of the LACs across the city.
- 1.4.7 Supporting the local economy including providing improved employment and skills outcomes remains a key priority for the Council. We currently have around 100 apprentices within the Housing and Neighbourhoods Service, and we usually recruit around 20 new apprentices a year, with many becoming permanent members of staff. The COVID-19 pandemic did have an impact on the number of new apprentices that joined the service in 2020/21 – being less than we anticipated. Our plan in 2022/23 is to reaffirm our recruitment back up to 20 apprentices per year which is a key part of our succession planning for the service. The apprenticeship scheme also provides an opportunity to help us improve diversity within the workforce. We will continue to look at ways in which we can promote and encourage new apprentices from a range of backgrounds and communities. In addition to the apprenticeship scheme, we also offer several graduate roles each year within the service which is having a positive impact on the service and supporting strategic priorities.
- 1.4.8 The Repairs Service is also investing significantly in its apprentice programmes with approximately 90 apprentices in the Housing Repairs & Maintenance Service. Our aim is to increase this further by another 20 apprentices per year funded from the HRA. This positive action is supporting the Council's strategic priority to increasing apprenticeships across all service areas.

1.5 HRA Business Plan Priorities 2022/23

- 1.5.1 The key priorities for the HRA Business Plan 2022/23 are to:
- Deliver our stock increase programme to build and acquire more council homes to meet our target of 3,100 homes by 2028/29
 - Deliver improvements to our tenants' homes to make sure they continue to be well maintained
 - Deliver year on year targets to achieve the 'Better Repairs Project'
 - Invest in fire safety measures to ensure our council homes comply with the emerging building safety legislative environment
 - Deliver on plans to ensure all Sheffield City Council homes reach

Energy Performance Certificate (EPC) level C by 2030

- By 2022, produce a roadmap showing further options for council housing's contribution to achieving Sheffield's ambition of net-zero by 2030
- Focus on the quality of our customer service offer – improving customer access, the management of complaints and implementing recommendations from the Race Equality Commission
- Deliver improvements to the frontline neighbourhood housing services our tenants receive
- Work closely with Council colleagues to support the development of Local Area Committees across the city
- Consult with tenants over plans to charge for enhanced services and introduce cost recovery for some repair and management activities
- Develop apprenticeship, employment, and training opportunities to create a workforce representative of housing communities across the city
- Invest in updating our information technology infrastructure to seamlessly integrate with the wider Council systems
- Develop more agile ways of working as we learn to adapt post COVID-19 and address any remaining backlogs caused by the pandemic

1.5.2 The key priorities for the HRA Business Plan 2022/23 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 page within the HRA Business Plan 2022/23 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 programme should deliver improvements that meet the government decent homes standard. We had expected a new standard to have been published by government in the last 12 months that would have influenced our investment plans but this has not happened. This means the 5-year investment programme will continue to prioritise work

that keeps people safe and will deliver improvements to people's homes (fire safety, electrical upgrades, kitchens, bathrooms, windows, doors, roofs, insulating homes etc.) to make sure they continue to be well maintained and we have sustainable neighbourhoods. Over £300m will be invested over the next 5 years to make these improvements.

- 1.6.3 Following consultation with the community at Gleadless Valley, we also aim to consult with residents and bring forward regeneration plans for the estate during 2022/23.
- 1.6.4 Information on our plans and progress so far for the specific elements within the investment programme can be found in the HRA Business Plan 2022/23 appendix report which accompanies this report.
- 1.6.5 The revised 5-year capital investment programme budget 2022/23 - 2026/27 and planned expenditure can be found in the financial appendix that accompanies this report.
- 1.6.6 Planning for investment in the housing stock beyond 2027 presents some challenges for the service and the HRA Business Plan. The legacy of the Decent Homes investment is starting to trigger demand for additional funding beyond the current budget envelope. This is in addition to increased liabilities to address fire safety work and improve energy efficiency of the stock. This will require additional income to be identified to meet demand and create challenges for the HRA Business Plan beyond 2027.

1.7 Stock Increase Programme

- 1.7.1 One of our key priorities in the business plan is to increase the number of council homes we can provide. Our current plans are to deliver 3,100 new homes by 2028/29.
- 1.7.2 At the time of writing this report, we have delivered 732 new homes (a mixture of homes purchased on the open market and new homes built or acquired off plan). A further 221 new homes are currently in construction and expect to be delivered by Summer 2022, with another 762 homes on 8 sites currently at the feasibility and design development stage - including new supported accommodation units.
- 1.7.3 Demand for council homes continues to be high. 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 types of homes. Our first new Independent Living Housing scheme (Older Persons Independent Living with Care) is currently under construction in Parson Cross (Buchanan Green) and is due for completion in Spring 2022. We are also developing plans for new Older Persons Independent Living Schemes in the south and southeast of the city at Hemsworth and Newstead. Both schemes will improve the choice and type of homes available for older people within the city. 8 of our new learning disabilities accommodation units were completed in September 2021

and a further 8 units will be delivered as part of the Buchanan Green scheme in Spring 2022.

1.7.4 We are also exploring options to further increase the provision of specialist housing including homes specifically for care leavers, older people, and those with learning disabilities. Our aim is to maximise the resources available across the Council to deliver the best outcomes for this customer group. Further detailed work will start in 2022/23, working jointly with our Children and Young People and Adult Social Care portfolios to ensure our proposals meet the needs of these specific groups. As with our general needs stock increase programme, we will continue to identify the best ways to deliver any new provision through exploring 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.

1.7.5 In 2021 we looked further into developing a programme of Shared Ownership homes as an affordable housing option in Sheffield. A Cabinet Report was approved in March 2021 to say how Shared Ownership will be managed. It is intended that these homes will be delivered as part of the stock increase programme and using Homes England grant funding. 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 has issued new guidance which we will use to deliver the new Shared Ownership Model. Currently the working manual and procedures are being developed to deliver Shared Ownership homes in Sheffield and our first new Shared Ownership homes will become available in 2022/23.

1.8 Reducing Carbon Emissions by 2030

1.8.1 Tackling climate change and reducing our carbon emissions remains a high priority for the Council. The One-Year Plan features plans to help achieve the net zero ambition, to take immediate steps to reduce carbon emissions in Sheffield.

1.8.2 As part of last year's HRA Business Plan, we set a priority to develop plans to address climate change and contribute to achieving zero carbon emissions by 2030. Work has already started on developing these plans and the Council have been working in partnership with [ARUP](#) to produce a mitigation pathway. This includes areas where the Housing and Neighbourhood Service could help to contribute to achieving the 2030 ambition.

Some of the key categories of how housing could help are:

- Improving the fabric of homes
- Reducing energy consumption in homes

- Removing fossil fuels
- Providing advice to customers
- Generating renewable electricity
- Deliver zero carbon new build council homes

1.8.3 We are investing resources into this important activity, and we are presently carrying out a strategic review of the Council's housing stock in order to develop a 'roadmap to net zero'. This is anticipated to take six months to complete and will provide a baseline position, estimate the funding needed for the Council's own stock and inform future asset planning and capital investment to achieve net zero for our housing stock.

Initial work has indicated that investment will be required in our 130 district and community heating networks – many which are old and show signs of being obsolete. A further piece of work is needed to consider the challenge of reaching zero carbon emissions as the majority of these are gas and lower carbon alternatives need to be identified. It is likely that some will need to remain gas fired for some time with other energy efficiency measures to homes being needed.

As reported last year, the cost of upgrading our existing stock to achieve net zero will be very expensive. It will therefore be important that we make the best cost-effective decisions as part of our plans. We are in continual dialogue with other landlords who are also developing plans and to inform the development of a more sustainable supply chains and learn from one another.

1.8.4 Our 5-year investment programme has been developed to support bringing all homes below Energy Performance Certificate (EPC) level C up to that level. There are approximately 6,900 council homes that are below this level. This will predominantly be delivered by a fabric first approach of cavity, loft and wall insulation and improvements in heating. We have allocated £53m of the programme to improving energy efficiency and carbon reduction measures. We are also continuing to work with Government, submitting funding bids for green grants when they become available to reduce costs and this will enable us to do more, more quickly.

The current government funding landscape is targeted at homes below EPC level C. HRA funding is not currently available to achieve net zero by 2030 but our ambition remains and all funding options to help will be explored.

In 2021 the Council has secured approximately £3m of grant funding through the Green Homes Grant Local Authority Delivery scheme. This will enable the delivery of energy efficiency works to 265 private sector homes and 517 Council homes. The Council has applied for £2.5m grant through the Social Housing Decarbonisation Fund which would facilitate energy efficiency improvements to a further 600 Council

homes, an announcement on this is due in December 2021.

1.9 Repairs and Maintenance

1.9.1 The Repairs and Maintenance Service has continued to bring about transformational change whilst attempting to recover from the COVID-19 pandemic. This has been a challenging time, however several changes and improvements to repair processes will help to ensure we are able to deliver an efficient and reliable Repairs Service to our tenants.

1.9.2 Despite the challenges because of the pandemic, we have continued to prioritise emergency, urgent and routine repairs including damp and fire safety work and are making progress in these areas. Performance on repairing empty properties is improving but quicker turnaround of properties for re-letting is required if we are to reduce relet times and rental income. We continue to prioritise health and safety repairs to council homes and buildings to ensure that we maintain a strong compliance in this area. We are continuing to experience shortages with some materials are exploring alternative specifications and supply options to help mitigate this.

1.9.3 Over the next 12 months we will continue to modernise and invest in the repairs service that we provide to tenants. We introduced a new IT system in 2021 to enable service re-engineering to be smarter and more efficient, to reduce back-office administration and enhance the customer experience. This will improve the efficiency of the service we provide, both to customers and the teams we work with. We will also focus on our workforce, through recruitment, training, and the expansion of our apprenticeship programme.

1.9.4 There has been significant investment into the Repairs Service over the last few years as part of its transformation. This investment will enable year-on-year savings that will be built into the business plan in future years. However, we may need to review the Repair and Maintenance budget mid-year 2022/23 to ensure that we have the right resources in place. There are considerable challenges remaining from the Covid pandemic and significant inflationary pressures, both for staff and materials, which may make such a mid-year review necessary. This position will be reviewed following the 21/22 financial year-end.

1.10 Financial Plan

1.10.1 The financial plan is based on several 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.

1.10.2 Over the next year we will need to explore options for increasing income into the business plan to fund service improvements. We aim to consult with tenants around introducing a range of service charges where these are permissible to help fund improvements. We will also look at some of

our current repair and management activities to consider removing subsidies and implementing full cost recovery. This will help ensure that the business plan remains sustainable in future years.

- 1.10.3 Our tenants have told us as part of the Landlord Commitments consultation, reducing anti-social behaviour and a better cleaning service in our communal blocks are areas they would like to see improved. We will look at ways we can make these improvements including further joint working with the Council's community safety services in our neighbourhoods and reviewing our current cleaning service. There would be an additional cost to the HRA for enhancing these services, but we will explore further options over the next year.
- 1.10.4 We will need to review future options for making further efficiencies and savings for the HRA to ensure a sustainable business plan over the next 30 years. In 2022/23 we will start to identify areas where these can be made across the service. This is likely to include reviewing some of the current services and policies, opportunities for better joint working that will help to improve neighbourhood services such as anti-social behaviour, cleaning, shared green spaces and potential charging options for other services the Council provides to tenants.
- 1.10.5 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.

1.11 Financial Assumptions

- 1.11.1 Rents for council dwellings are to be increased by 4.1% from April 2022 in line with the Regulator of Social Housing's Rent Standard. This is the maximum amount rent levels can be increased under current Government policy in 2022/23 and is equivalent to an average increase of £3.27 per week. Rents for temporary accommodation will also increase by 4.1% in 2022/23. The average rents per house size in Sheffield are set out within the financial appendix that accompanies this report.
- 1.11.2 The Council continues to have a small but increasing number of properties that are let at an Affordable Rent (up to 80% of market rent). These are predominately new build properties and properties acquired as part of the stock increase programme. The annual rent increase applies to all social housing rents so properties let at an Affordable Rent will also see an increase in rent for 2022/23.

- 1.11.3 Arrears increased considerably at the start of the pandemic, but much of this was recovered in the second half of 2020/21. Additional Hardship Fund has been made available to help those affected most financially and has undoubtedly helped to protect the HRA and support customers to sustain their tenancy and ultimately stay in their home. This is alongside other support mechanisms in place such as providing money management and budgeting advice. As part of reviewing our support mechanisms, we will develop a more holistic and joint approach to supporting tenants with hardship and debt.
- 1.11.4 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 £0.69 less than 'target' compared with a difference of £0.72 last year.
- 1.11.5 Garage rents for garage plots and garage sites will be increased by 4.1% from April 2022 in line with dwelling rent increases.
- 1.11.6 The burglar alarm charge is increased by 3.1% from April 2022.
- 1.11.7 The sheltered housing service charge is increased by 3.1% from April 2022.
- 1.11.8 The furnished accommodation charge is increased by 3.1% from April 2022.

1.12 Community Heating Charges

- 1.12.1 The community heating scheme operated by the Council, supplies heating and heating/hot water to almost 6,000 homes. The system provides heat and hot water to groups of properties from central boiler houses rather than using individual property boilers.
- 1.12.2 The community heating kWh unit charge is to increase from 3.04 pence to 5.69 pence from April 2022. The standing charge will also increase from £4.80 to £4.90 per week from April 2022.
- 1.12.3 The increase to the community heating charge is based on a mid-point estimation of the likely total charge from suppliers and the forecast usage over the next 12 months. This is unlikely to create a level of reserve to mitigate further increases in the price of gas. This remains a risk to the business plan in future years. The energy market is seeing significant turbulence and increases in prices. This unprecedented situation will mean it is necessary to undertake a mid-term review of the district heating account and prices.
- 1.12.4 The Council's heat metering scheme which began in 2014 has proven to be successful and popular with customers. Smart meters and controls have brought benefits for customers on what they are using. 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.

1.12.5 As indicated in section 1.8.3 the district and community heating networks require investment and a strategic review of district heating is needed to ensure that investment that is needed is both efficient, cost effective and contributes towards the council's carbon ambitions as well as supporting our customers to heat their homes cost effectively in a very uncertain energy market.

1.12.6 A full breakdown of all community heating service charges is set out in the financial appendix.

1.13 HRA Budget 2022/23

1.13.1 The recommended budget for 2022/23 is set out in the financial appendix that accompanies this report.

1.14 Forecast Outturn 2021/22

1.14.1 Revenue budget monitoring reports have been presented during the year to the Co-operative Executive. The latest position is shown in the financial appendix.

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 Sheffield One-Year Plan priorities: -

- High quality, safe homes for all our citizens
- Neighbourhoods that are clean, green, safe and thriving
- Set out our Pathway to Net Zero and take immediate steps to reduce carbon emissions in Sheffield

2.2 The HRA Business Plan 2022/23 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 2022/23 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 key service updates via several communications. This has included the Housing and Neighbourhoods Advisory Panel (HANAP), Housing and Neighbourhoods Partnership Group (HNPG), online meetings, our monthly news e-bulletin - Your Home, Your Neighbourhood and via the Housing and Neighbourhoods Service Facebook page.

3.3 Extensive consultation has taken place throughout the year with our tenants and leaseholders which has helped us to produce our new [Engagement Strategy](#) and [Landlord Commitments](#). The feedback we have received from telephone and online surveys, online workshops / forums and Task and Finish groups has helped in the development of this work, ensuring we are capturing what matters most to our tenants and leaseholders. In 2022/23 we will continue to explore new and different ways we can engage with our tenants and leaseholders to help ensure we are capturing all views and feedback from a wide range of customers which help to reflect the views of our tenant profile.

3.4 Our Housing and Neighbourhoods Partnership Group (HNPG) and Housing and Neighbourhoods Advisory Panel (HANAP) have continued to meet throughout 2021 with meetings held digitally via online meeting platforms. These meetings have been used to provide updates and information on HRA and the Council's housing related projects and specific housing service updates such as repairs. We will continue to provide opportunities for all tenants and leaseholders to get involved with any consultation in 2022/23 and will look at possibilities of providing face to face consultation opportunities. This will be dependent on developments around COVID-19 and will continue to follow the latest guidance around this.

3.5 A further special HANAP meeting is taking place in January 2022 to consider the proposals within this Co-operative Executive report. This report will also be discussed with tenant representatives at the Housing and Neighbourhood Partnership meeting on 12 January 2022. Any relevant comments and views expressed will be offered verbally by the Director of Housing to the Co-operative Executive 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 2022/23 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 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 the Co-operative Executive in February 2022.

4.2.5 The financial appendix that accompanies this 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 2022/23 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 determine the calculation of a settlement payment to or from each local housing authority. This settlement and its implications for the self-financing HRA continue to inform the HRA Business Plan.

4.3.2 The HRA provisions in the 1989 Act include the duty in January or February each year to formulate proposals relating to HRA income and expenditure. Those proposals 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 Since 2012 the HRA has operated on a 'self-financing' basis with local authorities funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also brought additional risk. Risks are collated and monitored via a risk register and are primarily concerned with threats to income and expenditure that would compromise the viability of the HRA Business Plan. These risks are reviewed and regularly updated.

4.4.3 The key risks to the HRA Business Plan are:

- Welfare Reform & Universal Credit

Welfare Reform and the transition to Universal Credit continues to be an issue for the HRA Business Plan. We have increased our Hardship Fund for 2022/23 to help mitigate increasing arrears and to continue to help and support those tenants in financial difficulty. This has helped to reduce arrears and sustain tenancies. We recognise that many households who have been managing welfare reform changes in the

short-term may be unable to sustain payment patterns as the squeeze continues. This may require us to revise our future income projections as our experience with Universal Credit develops.

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

The Review of Building Regulation and Fire Safety brings several operational and financial risks. The full cost impact assessment has not been possible because secondary legislation is going to be published over several years. However, budget provision has been made for the next 5 years which based on the best information we have, should enable investment in all buildings over 18 metres (high-rise) and any high-rise residential buildings. In the future, some degree of re-prioritisation of the 30-year business plan may be needed.

The Fire Safety Act 2021 and subsequent legislation means there are further fire safety measures that we need to implement and the support of customers will be imperative. The costs of preparing for and managing these changes have been included in the business plan. There continues to be a risk around the market capacity/capability to respond to the scale of need nationally which could lead to the possible inflation of costs. This will have an impact on our repairs and capital budgets. We will continue to monitor any further developments in 2022/23 when further legislation has been published.

- Interest Rate Risk

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

- Inflation Rate Risk

The HRA Business Plan assumes an ongoing inflation rate which has been factored into the 30-year plan. The assumed inflation rate of 3% is assumed for both revenue and capital. If the assumed inflation rate was to change then this will have an impact upon the forecasted income into the HRA over the 30 years; if the assumed inflation rate was to be exceeded, then this may have a negative impact upon revenue expenditure and the capital programme costs. We are already beginning to see some significant increases in contractor and materials costs as part of capital and responsive repair programmes. We will continue to monitor the long-term direction of construction cost inflation, working with colleagues across the Council and will adjust the business plan accordingly.

- Repairs and Maintenance

The delivery of the Repairs and Maintenance service brings several inherent risks including fluctuations in the number of vacant properties, increased turnover due to welfare reforms, on-going stock deterioration rates, changes in government guidance and regulations and the transformation of the in-house service. COVID-19 protection measures have influenced several aspects of the repairs and maintenance service including a backlog of non-urgent repairs, and gas safety inspections. An action plan is in place to tackle these impacts but the risk to the business plan remains. A further review of backlog repairs will be undertaken at the 21/22 year-end and additional budget readjustments may be required at that point dependent on how COVID-19 progresses.

4.4.4 Following an assessment of the current risks to the HRA in the coming 5 years it is proposed for 2022/23 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.

4.5.6 The long-term viability of the plan is dependent on the delivery of additional savings that will be required in the coming years.

5. ALTERNATIVE OPTIONS CONSIDERED

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

6. REASONS FOR RECOMMENDATIONS

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

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

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

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

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