



Report to Policy Committee

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

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Report of: Executive Director, Operational Services
Report to: Strategy and Resources Committee
Date of Decision: 7 February 2023
Subject: Housing Revenue Account (HRA) Business Plan
and HRA Budget 2023/24

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>				

Purpose of Report:

The report provides the 2022/23 update of the Housing Revenue Account (HRA) Business Plan, including revised priorities and capital improvement plans for 2023/24.

Recommendations:

It is recommended that Strategy and Resources Policy Committee recommends to the meeting of the City Council on 20 February 2023 that:

1. The HRA Business Plan report for 2023/24 as set out in the Financial Appendix to this report is approved
2. The HRA Revenue Budget 2023/24 as set out in the Financial Appendix to this report is approved
3. Rents for council dwellings are increased by 7% from April 2023 in line with the Regulator of Social Housing's Rent Standard
4. Rents for temporary accommodation are increased by 7% for 2023/24
5. Garage rents for garage plots and garage sites are increased by 7% from April 2023
6. The sheltered housing charge is increased by 7% for 2023/24
7. The burglar alarm charge is increased by 7% for 2023/24
8. The furnished accommodation charge is increased by 7% for 2023/24
9. The Hardship Fund is increased by a further £300k for 2023/24 to £450k
10. There is no increase to the community heating charge at this time

Background Papers:

Appendix – Housing Policy Committee 2nd February 2023

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

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: Helen Damon
	Legal: Stephen Tonge
	Equalities & Consultation: Bashir Khan
	Climate: Laura Chippendale

	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	SLB member who approved submission:	Ajman Ali
3	Committee Chair consulted:	Cllr Douglas Johnson
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Janet Sharpe	Job Title: <i>Director of Housing</i>
	Date: 30 th January 2023	

1. PROPOSAL

1.1 Summary

1.1.1 This report sets out the 2023/24 Housing Revenue Account (HRA) revenue budget and revenue contribution to capital for the Council housing stock in Sheffield. 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. Our Housing Investment Programme is the most significant part of the plan, with a 30-year Asset Management Strategy broken down into 5-year programme delivery plans. Priorities for investment are agreed with tenants and, this is aligned and aims to address costly pressures faced on responsive repairs.

1.1.2 The Housing Revenue Account faces significant budget pressures going into 2023/24, and these pressures will impact on the ability of the HRA Business Plan to remain affordable over the next 30/40 years. Strategy and Resources Committee is asked to consider the budget and savings proposals relating to the Housing Revenue Account and make a final recommendation to Full Council.

1.1.3 The proposals were presented to Housing Policy Committee on 2nd February for information in the form attached to this report as 'Appendix – Housing Policy Committee 2nd February 2023' and summarised below. That Committee was asked to consider whether there are any additional matters that it would wish the Strategy and Resources Policy Committee to consider.

1.2 Background

- The Council's HRA is the financial account of the Council as landlord
- The Business Plan sets out the main priorities for council housing for the next year
- The review of the HRA is a dynamic process subject to consultation

1.3 National and Local Policy Context

- The key national policy impacts
- A rent 'ceiling' has been introduced by Government
- There has been further progress on enacting the Social Housing Regulation Bill
- The Council will be subject to increased regulation in 2023
- The HSE have been appointed as a new Building Safety Regulator to monitor building safety
- Damp and Mould
- The HRA Business Plan supports Council ambitions
- The Plan also supports locality working within local communities

1.4 Achievements

- Our annual report and Landlord Commitments set out our progress
- The HRA funds a wide range of activities for tenants
- Increasing the number of new council homes
- We have been improving repairs and relets but still have more work to do
- We continue to work on improving homes and the environment
- We have started work to improve a huge number of our tenants' homes over the next few years
- We have developed a new model of integrated care
- We continue to offer a range of cost-of-living help and support
- We have maintained our focus on key housing services despite the challenges
- We proactively contact our tenants
- We have been there for our tenants in an emergency
- We have supported the wellbeing of our older tenants
- We continue to tackle poor behaviour
- Our online engagement is on the rise
- And we are supporting those tenants who aren't yet digitally confident
- It's 'Your Home and Your Neighbourhood'
- Tenants feel they are treated with respect and are positive about their neighbourhoods

1.5 HRA Business Plan Service Priorities 2023/24

- Changes to our Business Plan priorities will be required to deliver savings
- There is a HRA budgetary pressure of £22.8m in 23/24
- The Stock Increase Programme (SIP) continues to deliver new homes for the city but has been reduced to 2,310 units as part of modelling
- Some protection for the Repairs Service has been built into the budget
- The Council will continue to improve the energy efficiency of our housing stock and work towards Net Zero
- Additional budget has also been added in for key areas of property improvement
- Savings mitigations totalling £22.8m have been identified
- The Council's ability to increase rents is set by Government
- The 'rent ceiling' represents a reduction in income available to deliver services to tenants
- Strategy and Resources Committee will be asked to recommend to Full Council, a 7% rent increase in 2023/24 for all existing tenant rent accounts
- A 7% rent increase will deliver a balanced HRA budget for 2023/24
- The current policy of bringing all homes on relet to 'formula rent'

will continue

- Affordable rents will increase at the same rate as social rents
- Garage rents are proposed to increase at the same rate as social rents
- Other fees and charges are proposed to increase by 7%
- Community heating customers will not be subject to a further price increase at this time
- The Financial Appendix provides an overall HRA budget for 2023/24
- Forecast Outturn 2022/23

1.6 HRA Business Plan Service Priorities 2023/24

- A series of proposed priorities are presented for consideration
- We have increased the budget for the repairs service
- We will tackle damp and mould in council homes
- We will improve the way that we manage disrepair
- We will reduce the time that properties are empty
- We will significantly improve our gas servicing performance
- We will support tenants to manage their finances
- We will improve the customers experience
- We will increase the opportunities for tenants to get involved in shaping services
- We will be fair and respect all our customers
- We will invest in our staff
- Delivering our Landlord Commitments

1.7 HRA Business Plan Stock Investment Priorities 2023/24

- The plan aims to increase planned capital spend to reduce revenue repairs
- Fire and building safety are key priorities
- Planned investment in elemental improvements will continue
- We are continuing investment in net zero solutions and improving the energy efficiency of our homes
- We are reviewing our heating strategy to explore more sustainable solutions
- The Stock Increase Programme continues to deliver new homes but has been reduced to 2,310 units
- Gleadless Valley
- More details are in the Financial Appendix

1.8 The Financial Appendix to this report provides an overview of the HRA Business Plan and budget for 2023/24. 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. The current economic climate has made it very difficult to predict assumptions around inflation, interest rates and energy costs for 2023/24 which adds a further degree of uncertainty to this year's plan. The Financial Appendix to this report also includes a table

of average rents (assuming a 7% increase).

- 1.9 Strategy and Resources Policy Committee is asked to recommend to Full Council a 7% rent increase in 2023/24 for all existing tenant rent accounts in line with the Regulator of Social Housing's Rent Standard determination (as set by government direction). This increase will generate £10.6 million additional income to the HRA to improve services to tenants and mitigate some of the pressures described earlier in this paper. This rent increase would be covered by Housing Benefit/Universal Credit for the approximately 70% of tenants who are eligible and receive those payments. The remaining 30% of tenants would have to cover the full cost of the rent increase. However additional budget provision has been made within the Business Plan to provide an increase in financial support and Hardship payments to support those impacted by the current cost of living crisis and the Committee is asked to agree an increase in this budget by £300,000 to £450,000 in 2023/24.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The proposals in this report are aimed at maximising financial resources to deliver housing outcomes to citizens in Sheffield considering developments in national policy, the current economic climate, and reductions in government funding. The rent increase proposals set out in paragraphs 5.10 – 5.16 will create an additional financial burden for the significant minority of tenants not in receipt of Housing Benefit/Universal Credit. These tenants will be helped through an increase in the HRA Hardship Fund which can be used to support tenants in genuine financial difficulties. 127 tenants have been supported in this way in the first 8 months of 2022-23. A range of additional support is available to those tenants' having trouble in paying their rent, both through the Housing and Neighbourhoods Service and the wider Council.

- 2.2 The Council has developed a new set of strategic priorities (Our Sheffield – Corporate Delivery Plan). The delivery of HRA services will continue to link and feed into to broader corporate priorities where relevant. The proposals here will help to deliver priorities around 'Strong and connected neighbourhoods which people are happy to call home', 'Tackling inequalities and supporting people through the cost-of-living crisis' and 'Fair, inclusive and empowered communities' in particular. [Corporate Delivery Plan | Sheffield City Council](#)

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 Consultation on the outline proposals has taken place with the tenant Housing and Neighbourhoods Advisory Panel and other Housing forums. The Panel has provided some feedback on the proposals from a tenant perspective. There was a general understanding about the impact of the cost-of-living crisis on tenants and the impact on the Council's costs. Tenants felt that any reduction in services would be

unwelcome, but there was an acceptance that services to vulnerable tenants had to be prioritised as part of the decision-making process alongside a more robust tenancy management service, a review of the housing allocations policy and letting practices, more work to tackle tenancy breaches and an overall improvement in the condition of properties. The proposals here have subsequently been a part of the Council's wider consultation on budget setting in 2023/24 - [Sheffield City Council Budget 2023/24](#).

- 3.2 Tenants are kept informed of developments in relation to the HRA Business Plan through the Housing and Neighbourhoods Advisory Panel (HANAP), online meetings, our monthly news e-bulletin – Your Home, Your Neighbourhood and via the Housing and Neighbourhoods Service Facebook page. As part of our Engagement Strategy, in 2023/24 we will look at other ways we can involve our tenants in the development of the HRA Business Plan for future years.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 There are no direct equality implications arising from this report. Individual Equalities Impact Assessments (EIAs) have been completed as part of the HRA savings proposed and approved at previous Housing Policy Committee meetings in 2022. For specific programmes of work and projects relating to HRA Business Plan priorities, separate EIAs have or will be completed as part of those individual work streams.

4.2 Financial and Commercial Implications

- 4.2.1 The 2022/23 budget 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. Any annual revenue surpluses on the account will continue to support the 30-year Business Plan. The Council Housing Capital Programme including the stock increase programme will require the HRA to support further borrowing as allowed under the current Government guidelines. The debt strategy for the HRA will continue to be reviewed and developed in accordance with the Council's treasury management policy. Further details on the Council Housing Capital Programme are set out in the Council's Capital Strategy Report.

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 Business Plan. The HRA provisions in the 1989 Act include the duty in January or February each year to formulate proposals relating to HRA income and expenditure.

4.3.2 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.

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

4.4 Climate Implications

4.4.1 The Council's Climate Change 10-Point Plan set out a commitment to develop a Housing Decarbonisation Route map. This will highlight the action we are already taking, set out the vision of Sheffield's future as a Net Zero City by 2030, and outline key actions that the council and other partners will be taking over the next few years to move us forward and enable us to accelerate decarbonisation in the years to come. Development of this will be undertaken in 2023/24, will help to inform and shape the HRA Business Plan 2024/25 to ensure that we are moving towards a position of accelerated Net Zero delivery.

4.4.2 For the first time, this year's budget proposal has included a top level Climate Impact Assessment of all budget proposals. In June 2022, we introduced Climate Impact Assessments (CIA) into the Committee Decision process. All Committee Decisions must now consider relevant

climate impacts. Since June 2022, a variety of CIA's have been carried out for all capital projects and other key decisions such as strategy development, procurements, and grant decisions.

4.4.3 All the saving proposals in this report have had a top-level CIA carried out and any climate impacts identified. Any specific Climate issues arising out of the delivery of HRA Business Plan activity will be considered separately.

4.4.4 Priorities for the HRA Business Plan 2023/24 continue to include investment plans to achieve the Council's net zero ambitions. Budget constraints for 2023/24 pose a challenge for the service and will impact on our ability to deliver everything we want to. We will continue to pursue external funding opportunities from Government and other sources to help support our plans in reducing carbon emissions. Our 5-year capital investment programme currently includes £35m funding specifically for reducing carbon emissions and improving the energy efficiency in the council stock.

4.5 HR Implications

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

4.6 Risk Analysis

4.6.1 The main risks to the HRA arise from regulatory compliance and inflationary pressures. Risks to the HRA are collated and monitored via a risk register and are primarily concerned with threats to income and expenditure that would compromise the viability of the HRA Business Plan. These risks are reviewed and regularly updated. The key risks to the HRA Business Plan include the impact of welfare reform; fire risk on council tower blocks and other high-risk buildings; an increase in interest and inflation rates; and increase in repairs and maintenance costs and demand and health and safety compliance. The HRA Revenue Reserve for 2023/24 has been set at £5.7 million to support the management of these risks.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 No other options were considered. The Council is required to both set a balanced HRA budget and to ensure that in-year income and expenditure are balanced.

6. **REASONS FOR RECOMMENDATIONS**

- 6.1 This report and its recommendations, sets out the scale of the challenge ahead, the limited resources available and the difficult decisions that now need to be taken to deliver a balanced HRA budget for 2023/24. The delivery of a balanced HRA budget is dependent on setting a 7% rent increase for Council tenants as set out in this report. The proposed recommendations:
- optimise the number of good quality affordable council homes in the city
 - maximise the financial resources to deliver key outcomes for tenants and the city in the context of a self-financing funding regime
 - ensure that tenants' homes continue to be well maintained and to optimise investment in estates; and
 - assure the long-term sustainability of council housing in Sheffield.

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