



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: *Housing Policy Committee*

Date of Decision: *2nd November 2023*

Subject: *Housing Policy Committee Savings and Pressures 2024 - 25*

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 type="checkbox"/>	No	<input checked="" type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
The appendices to this report are exempt under Schedule 12A of the LGA 1972 due to financial and commercial considerations.				

Purpose of Report:

This paper provides Members with an update on the budget setting process for the revenue budgets within the remit of the Housing Policy Committee. It specifically sets out details of the pressures facing the Housing Policy Committee in 2024/25 and asks Members to consider how to mitigate those pressures in meeting their obligations to recommend a balanced budgetary position to the Strategy and Resources committee. The report also includes proposals for endorsing a rent increase for Council tenants to the Strategy and Resources committee and subsequently Full Council in February 2024.

Recommendations:

It is recommended that the Housing Policy Committee: -

1. Notes the Housing Revenue Account and Housing General Fund savings proposals/mitigations as set out in this report and that they will be presented to the Strategy and Resources Committee as part of the Council's budget for 2024/25
2. Request a further report on the Housing Revenue Account Business plan at their December meeting with details of the full capital and revenue expenditure proposals for 2024/25
3. Endorses a 7.7% rent increase for council tenants in line with the government's Rent Standard and acknowledge that the final decision on council housing rents will be taken at the Full Council in February.

Background Papers:

Appendix A – CONFIDENTIAL Housing General Fund Savings Options

Appendix B – CONFIDENTIAL Housing Revenue Account Investment and Savings Options 2024/25

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Helen Damon
		Legal:
		Equalities & Consultation: Louise Nunn
		Climate: Peter Brown
	<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>Ajman Ali, Executive Director, Neighbourhoods</i>
3	Committee Chair consulted:	<i>Councillor Douglas Johnson</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the 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: Director of Housing
	Date: 24 th October 2023	

1. Proposal

- 1.1 Members are asked to consider the proposed budget and rent setting approach for 2024/25** This paper provides Members with an update on the budget setting process for the revenue budgets within the remit of the Housing Policy Committee. It specifically sets out details of the pressures facing the Housing Policy Committee in 2024/25 and asks Members to consider how to mitigate those pressures in meeting their obligations to recommend a balanced budgetary position to the Strategy and Resources committee. The report also includes proposals for endorsing a rent increase for Council tenants to the Strategy and Resources committee and subsequently Full Council in February 2024.
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2. Background

- 2.1 This report covers both HRA and HGF budgets** The Housing Policy Committee has oversight of both the Housing Revenue Account (HRA) and the Housing General Fund (HGF) budgets. This report covers the savings and pressures facing the Housing Policy Committee across both budgets.
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- 2.2 The Council's HRA is the financial account of the Council as landlord** The Council's HRA is the financial account of the Council as landlord. It is ring-fenced in law for income and expenditure in respect of council housing and housing land and certain activities in connection with the provision of council housing only. Other council services are funded through council tax and central government support which benefits all citizens of Sheffield regardless of tenure.
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- 2.3 The Housing General Fund is dependent on the financial position of the Council** The Council's General Fund is spent on services across the council and is funded from government grants, the local share of business rates, and council tax. The Housing General Fund is an allocated proportion of the overall General Fund that we use to support certain housing activities not covered by the Housing Revenue Account (e.g., homelessness related activities).
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- 2.4 These budgets operate within the context of a challenging medium term financial position for the Council** An updated medium term financial analysis was presented to Strategy & Resources committee in September to give members an early view of the forecast financial position for the Council over the next 4 years and to set the financial constraints within which the budgeting and business planning process will need to work to achieve a balanced budget position over the medium term:
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[MTFA & Committee Budget Savings Targets](#)

Over the 4-year period the forecast budget gap for the Council is estimated to be £61m. For 2024/25 the forecast budget gap is £18m that will need to be bridged by services to set a balanced budget for 2024/25.

<p>2.5 The MTFA assumptions for this Committee show a</p>	<p>The following assumptions had been made for the Housing General Fund 2024/25 within the MTFA:</p> <ul style="list-style-type: none"> • Pressures of £6.5m, the most significant of which is the increasing cost of temporary accommodation and homeless demand, funding of the housing growth team. <p>Offset by:</p> <ul style="list-style-type: none"> • Funding allocated, as per the MTFA, to fund the 2024/5 pay award, £0.5m • Funding towards the Homelessness pressure because of Housing Benefit rules, as per the MTFA, £2.5m <p>This left a gap to find of £3.5m. Further work has been undertaken since the MTFA report was initially considered by Strategy and Resources committee, reducing the initial pressures down slightly. The resultant gap for this Committee to find on the Housing General fund has been reduced to £3.4m.</p>
<p>2.6 The HRA Business Plan is updated each year and is sensitive to national policy changes</p>	<p>The HRA budget is managed through a ring-fenced Business Plan which is reviewed and updated each year to set budgets and charges for the year ahead. Plans are set within the context of a 30-year affordability profile - our long-term planning horizon for balancing the HRA – with spending profiled on a 1, 5 and 30-year basis. Decisions taken in any given year must deliver a 30-year balanced position. The HRA operates within a national political context; therefore, any changes within national housing and social policy can have a significant impact.</p>
<p>2.7 There are several components to the Business Plan</p>	<p>The HRA Business Plan is broadly made up of 4 key components:</p> <ul style="list-style-type: none"> • Repairs and Maintenance – spending on responsive repair requests and routine maintenance of tenants’ homes. • Tenant Services – the delivery of services to tenants – mainly made up of staffing and non-staffing costs associated with running the housing service. • Capital Programme – our plans for planned spending on the physical structure of tenant homes and neighbourhoods and on the delivery of new homes. • Interest on borrowing – the cost of borrowing money from outside the Council to fund capital improvements.
<p>2.8 The annual rent and charges setting process is key to finalising the Business Plan</p>	<p>A full report on the HRA Business Plan will be brought to the December meeting of this Committee. A key component of setting a balanced HRA Business Plan is the annual rent and charges setting process. This needs to be agreed in advance of the Business Plan process to understand the income available to the Business Plan.</p>

3. Housing General Fund position for 2024/25

3.1 Several new Housing General Fund pressures have emerged for 24/25 Several new pressures to the Housing General Fund have emerged that need to be considered. There have also been some losses of income, along with significant legislation changes this year that have created new pressures for the Housing General Fund. They are set out in the table below.

3.2 There is a forecast £4.9m subsidy loss pressure on the Council The most significant pressure is on housing benefit subsidy loss. Government does not fully subsidise all housing benefit payments made by the Council even though it sets the rules that determine the amount the Council must pay. In 2022/23, the Council incurred a loss of £5.9m because of the legislation relating to temporary homelessness and supported accommodation. The Council is essentially bridging the gap between the amount the accommodation costs to procure and the amount that we can recover via housing benefits. In 2023-24, this is forecast to cost the Council £8.4m. The shortfalls are split between the Housing General Fund (£4.9m) and Strategy and Resources (£3.5m) budgets respectively and have been partially mitigated within the MTFAs as set out in paragraph 2.5.

3.3 Table of Housing General Fund pressures for 2024/25

HRA pressures 2024/25 (£000s)	6,147
Housing benefit subsidy loss (see paragraph 3.2)	4,900
Replacing temporary funding arrangements	670
Cost of implementing national pay awards	277
Increase in demand for homelessness placements	300

3.4 There are limited savings options available to mitigate the pressures. Members are asked to consider the limited savings options to mitigate the HGF pressures set out in paragraph 3.3. These options are set out in the confidential appendix for consideration by Committee. Implementation of some of these saving options will help to reduce the pressures on the HGF budget for 2024/25.

4. Housing Revenue Account position for 2024/25

4.1 Changes are expected in the national legislative and regulatory framework which will impact on the HRA in future years The HRA budget proposals for 24/25 are based on what we know about the likely challenges at the present time. There are changes over the next 12 months which will impact on the future funding of the HRA. The Council is updating its Asset Management Strategy (which sets out plans for improving council homes), awaiting the outcomes of the government review of Decent Homes 2 and developing plans around Net Zero. The changes to the regulatory framework discussed in a separate agenda item as part of this Committee will also require changes to how the council deliver services. All these will impact on how spending plans for improving council homes and delivering

services, but it is too soon to predict the shape of those changes. The budget proposals for 2025/26 and beyond will potentially need a more significant review at this point next year. The focus for 24/25 is therefore in addressing more immediate revenue pressures rather than longer-term structural change.

4.2 There is a HRA revenue pressure of £14.3m in 24/25

The HRA is facing significant budgetary pressures over at least the next 5 years. The overall impact of this is that the Council is unlikely to be able to fund all the key priorities that it would want to. Early projections indicate that significant savings of around £14.3m are required in 2024/25. These pressures are made up of £11.8m of pressures that must be mitigated to continue to deliver the current level of services to tenants and meet our statutory obligations. There are a further £2.4m of pressures which Members are asked to consider, to continue our plans for improving services. The level of these savings may be partly mitigated by any rent increase that the Council decide to make for 2024/25.

4.3 There are absolute pressures of £11.8m to deliver a balanced HRA budget for 2024/25

The table below sets out the main pressures facing the HRA for 2024/25. Some of these pressures arise from undelivered savings in 2023/24, some are due to inflationary pressures, others are due to legislation changes and there are some operational pressures where changes need to be made to services to deliver improvements. There is a total of £11.8 million pressures that need to be balanced in setting the HRA budget for 2024/25. These pressures must be mitigated to deliver a balanced HRA budget position.

4.4 Table of pressures for 2024/25

HRA pressures 2024/25 (£000s)	11,813
Inflationary increases in repair costs, contracts, materials costs, fleet costs, Council Tax	2,910
Replacing temporary funding arrangements	2,510
Cost of implementing national pay awards	2,508
Repairs and Maintenance savings not yet realised	1,500
Lost income from delays in letting empty properties	1,000
Changes to national regulatory or legislative expectations	615
Increase in disrepair management costs	370
Reduction in forecast income from recharging repair costs to tenants for loss, damage etc.	200
Lost income from delays in Community Buildings review	200

<p>4.5 There are additional pressures of £2.4m which Members are asked to consider</p>	<p>There are further budgetary pressures which Members are asked to consider in addition to those set out in paragraph 4.4 above. The mitigation of these pressures will help to improve services to tenants and generate further service efficiencies. Members are asked to consider these options as part of the confidential appendix to this Committee. The decisions on these options will then finalise the pressure gap that needs to be mitigated by either additional income or through savings.</p>
<p>4.6 Initial modelling of HRA income has started, with the expectation of an unchanged Rent Policy</p>	<p>We have undertaken some initial modelling of HRA income for 24/25. To do this, we have made some assumptions regarding inflation, interest rates, pay inflation and construction costs. The HRA receives most of its income through dwelling rents, with a much smaller percentage coming from garage and other non-dwelling rents. The Council's ability to set rents is constrained by the Regulator of Social Housing Rent Standard which is determined by a government direction under Section 197 of the Housing and Regeneration Act 2008. The Council has discretion to set rent levels in line with this standard which caps any increase to the September Consumer Price Inflation (CPI) + an additional 1%. The Council must comply with the rent setting rules. If it fails to do so it may be made subject to regulatory action. Despite the specific application of a 7% rent increase cap for 23/24, government have not indicated that this will continue into 24/25 therefore we are anticipating that the usual Rent Standard will apply.</p>
<p>4.7 The proposed rent increase for council tenants in 2024/25 is 7.7%</p>	<p>The rate of CPI for September 2023 was 6.7%. This means that the maximum increase that the Council can make for 2024/25 is 7.7%. Any rental increase below 7.7% would require further service reductions to present a balanced HRA budget and would have a significant impact on services delivered to tenants.</p> <p>The rent increase would be covered by Housing Benefit/Universal Credit for the approximately 70% of tenants who receive those payments. The remaining 30% of tenants would be supported in meeting increased payments through a range of support mechanisms offered by the Housing and Neighbourhoods Service Income Management team. This Committee agreed an increase in the Hardship payment fund made available for this purpose as part of the current year budget setting process. This increased level will be maintained in 2024/25 to support tenants facing cost of living concerns.</p> <p>This paper therefore recommends that Members of this Committee propose to Strategy and Resources Committee that the maximum increase of 7.7% is applied in 2024/25 to mitigate HRA pressures.</p>
<p>4.8 There are a range of savings</p>	<p>Members are also asked to consider a range of savings options to mitigate the HRA pressures set out in paragraph 4.4. These</p>

options available to mitigate the pressures.	options are set out in the closed report for consideration by Committee. Implementation of some of these saving options will help to reduce the pressures on the HRA budget for 2024/25.
4.9 The HRA Business Plan will be brought to Committee in December	A full report on the HRA Business Plan will be brought to the Housing Policy Committee for approval in December 2023. This will set out a more comprehensive picture of the long-term pressures and savings required in setting a balanced Business Plan for the next 30 years.
5. How does this decision contribute?	
5.1 Housing activity feeds into the Council's strategic priorities	The Council have developed a new set of strategic priorities for 2023/2024 with the intention for these priorities to form the basis of the new medium term Corporate Plan which is currently in development. There are several areas in which the delivery of housing services feeds into broader corporate priorities, and as the new Corporate Plan emerges from the administration priorities, we will continue to monitor and report on how we are performing against broader corporate priorities.
6. Has there been any consultation?	
6.1 No consultation has yet been undertaken on these proposals	There has been no consultation on these proposals to date. A corporate consultation exercise will be undertaken prior to the final budget approval meeting of the Council in March 2024 where the result from the consultation exercise will be considered.
7. Risk analysis and implications of the decision	
7.1 There are no direct Equality implications arising from this report.	Equality Implications There are no direct equality implications arising from this report although there may be some implications from implementing individual savings proposals. Where this is the case, an individual Equality Impact Assessment will be undertaken.
7.2 There are no direct financial implications arising from this report	Financial and Commercial Implications Each Committee is required to deliver a balanced budget for 2024/25, which requires them to find mitigations for any Service pressures over above the targets set out in the MTFAs, outlined in paragraph 2.4 above. The pressures and savings proposals to address this are set out in this paper. Further work will be required to address the budget gap shown within this paper and to ensure delivery plans are in place. All Committees savings proposals will be considered by the Strategy & Resources Committee before final sign off to ensure a balance 2024/25 budget for the Council as a whole.

7.3 No new legal issues arise other than those ordinarily governing the HRA

Legal Implications –

The duty to keep a Housing Revenue Account and prevent a debit balance on it and restrictions as to what may be credited or debited to the account (“the ringfence”) are governed by Part VI of the Local Government and Housing Act 1989 (the 1989 Act). This formerly included provision for annual HRA subsidy paid by central Government to local housing authorities, as determined by the Secretary of State. HRA subsidy was abolished by the Localism Act 2011, which provided for the Secretary of State to determine the calculation of a settlement payment to or from each local housing authority. This settlement and its implications for the self-financing HRA continue to inform the Business Plan. The HRA provisions in the 1989 Act include the duty in January or February each year to formulate proposals relating to HRA income and expenditure. Those proposals will be addressed in the November report to this Committee.

By section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine and must from time-to-time review rents and make such changes as circumstances may require. Such circumstances will of course include other statutory requirements such as those described in this report. The duty to review rents and make changes is itself subject to the requirements for notice of a variation set out in Section 103 of the 1985 Act. The notice must specify the variation and the date on which it takes effect which must be at least four weeks after the date of service. To implement the rent variation recommended in this report notice of the variation must be sent to all tenants within the first week of March at the latest.

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

7.4 There are no direct climate implications arising from this report.

Climate Implications

There are no direct climate implications arising from this report although there may be some implications from implementing individual savings proposals. Where this is the case, an individual Climate Impact Assessment will be undertaken.

8. Alternative options considered.

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

9. Reasons for recommendations

9.1 The reasons for recommendations are set out opposite Members are asked to note the unsustainable financial position highlighted by the medium-term financial analysis presented to Strategy and Resources Committee in September 2023. 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 and HGF budget for 2024/25.
