Housing Revenue Account Business Plan 2024-25

Sheffield City Council

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1.Introduction

The Business Plan

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

This HRA Business Plan report sets out how the estimated £181m income, predominantly from tenant rents, will be spent on delivering repairs, capital improvements and tenant services to more than 38,000 council homes across the city during 2024/25. It also includes a longer-term forecast looking forward over the next 5 years.

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 is part of an ongoing dialogue with tenants and residents to identify investment and service priorities that will improve the quality of homes and tenant services provided.

2.National and Local Policy Context

The HRA Business Plan operates within a political environment which means that changes in both national and local policy can have a major impact and influence on the plan. The main impacts affecting this year's review are set out below.

Increased Financial Pressures

Sheffield, like many other Local Authorities in the country, is facing increasing financial pressures and the impact of more stringent regulation. Income is not keeping up with costs making it increasingly difficult to ensure that homes are professionally managed and maintained by the Council. Increased investment in repairs and long-term capital improvement is required to ensure homes remain compliant with the Decent Homes Standard. Recent Government directives restricting providers ability to set rents in line with inflation have reduced overall funding for the Council's HRA and is impacting on its 30-year viability. Tenant engagement is a priority to ensure that the Council is delivering on tenant commitments, working collaboratively across the Council and community to improve the overall quality of neighbourhoods in the city.

High Inflation and Cost-of-living Crisis.

Sustained high inflation rates have had a direct impact on the Council's HRA. Costs have risen significantly in many areas including construction and material costs, contractual commitments, and utilities. Persistently high inflation rates over the last few years mean that there are increasingly difficult choices around the delivery of future tenant priorities. These issues are affecting all Local Authorities and Registered Providers including Sheffield.

High inflation has also exacerbated the ongoing cost-of-living crisis. This has meant that there is increasing hardship amongst our tenants. It is vital that we support our tenants through this difficult financial period whilst also managing limited funds. Direct funding remains in place to support tenants facing difficulties, alongside other Cost of Living Hardship Funds, to help tenants facing rising housing costs sustain their tenancies.

Increased Social Housing Regulation

The Social Housing (Regulation) Act received Royal Assent in July 2023 and signifies a new era of stringent consumer regulation for the social housing sector and increased powers for the Regulator of Social Housing (RSH). This means that the Council can expect to be subject to regular inspections by the Regulator going forward. We are working hard to prepare for the new regulatory regime and are actively engaging with the regulators on a range of issues and, to improve services for tenants. It also means additional costs will be incurred as we are expected to make financial contributions to support this regulation. The Council has significant expertise in working within a regulatory environment and we will collaborate with colleagues across the Council to ensure that we learn from that experience as we make our preparations.

Workforce Plan

The government's commitment to the professionalisation of officers working within the housing sector will require colleagues in key positions to hold formal housing qualifications. This is a priority for us to ensure that our tenants have the highest standards. We will also ensure that our technical and enforcement teams across Housing and Repairs maintain their accreditations, and any qualifications, as part of their ongoing training plans. As part of this, we will continue our commitment to increasing apprenticeships, higher level apprenticeship and graduate training programmes. We have strong record of apprenticeships across both Housing and Repairs and currently have around 125 apprentices undertaking their qualifications with us.

Building Safety Act

The Building Safety Act was implemented in April 2022 and saw the Health and Safety Executive appointed as the new Building Safety Regulator to oversee the safety and performance of all buildings including Council housing. There will be a particular focus on high-rise and high-risk buildings and capital funding has been set aside to improve tenancy management, resident engagement, and fabric of high-rise buildings to ensure we are compliant with the new regulations. The Regulator is set to complete its transition to the new regime during 2024/25. Any necessary actions to ensure that our buildings remain safe and compliant are likely to mean increased costs for the Housing Revenue Account alongside increased tenant and resident engagement and tenancy management.

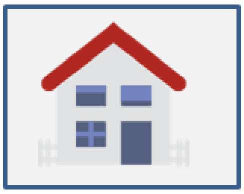
Rent Standard

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 usual Rent Standard will apply in 2024/25. The rate of CPI for September 2023 was 6.7% which means that the maximum rent increase that the Council can make for 2024/25 is 7.7%. This has been assumed in the drafting the HRA Business Plan presented here.

Welfare Reform

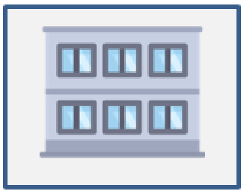
The transition to Universal Credit for tenants receiving support with paying their rent continues in Sheffield. The government recently announced in the Autumn Statement that they would increase working age benefits by 6.7% next year, equivalent to inflation in the 12 months to September 2023. This is slightly below the proposed rent increase of 7.7%. Experience working with tenants this year has shown that tenants in receipt of Universal Credit have a higher likelihood of rent arrears than tenants on housing benefit where the payment is made directly to the Council.

3. Our Housing Profile



17,191
Houses

14,679
Flats



2,722
Maisonettes

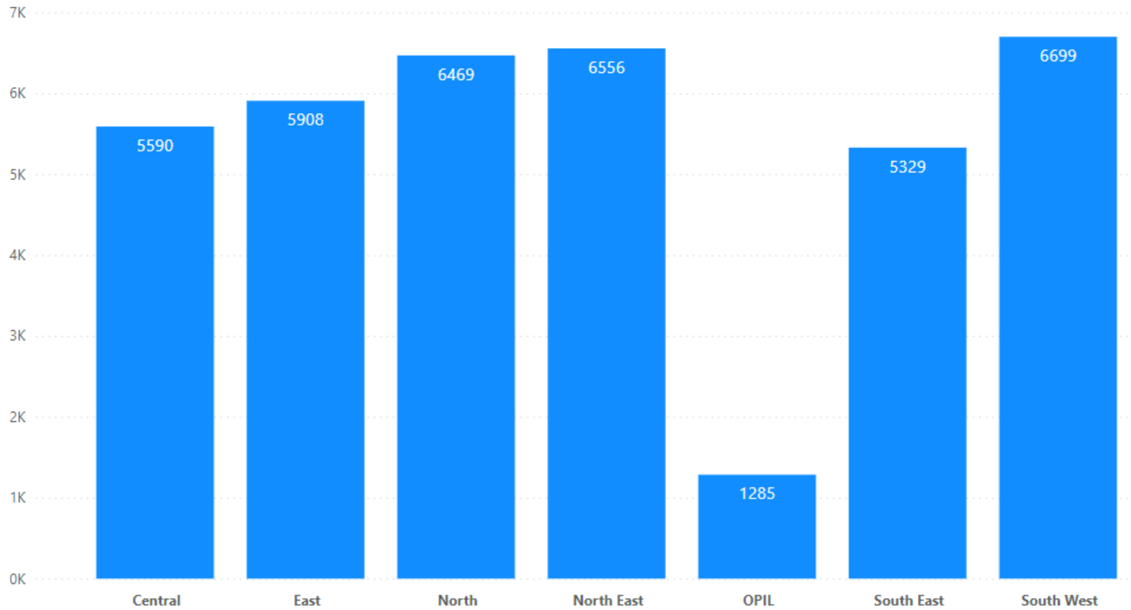
2,642
Bungalows

38,306
Total Stock

2,500
Leaseholders

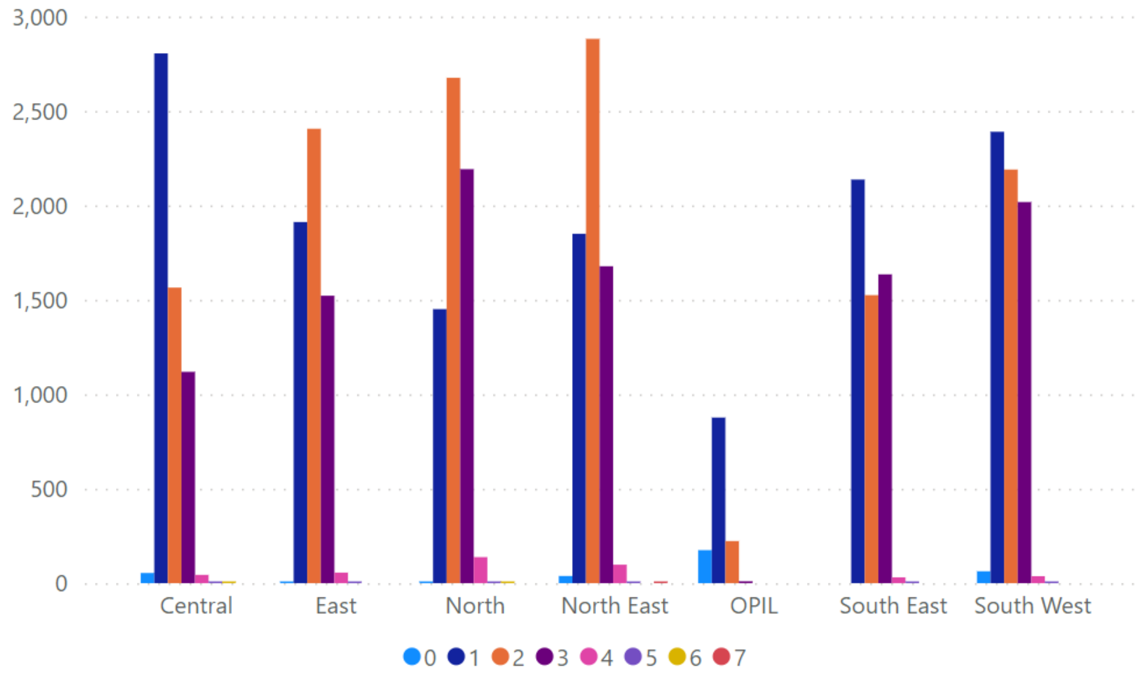
(@ October 2023 excluding temporary accommodation units)

Council Housing Stock by Neighbourhood Area



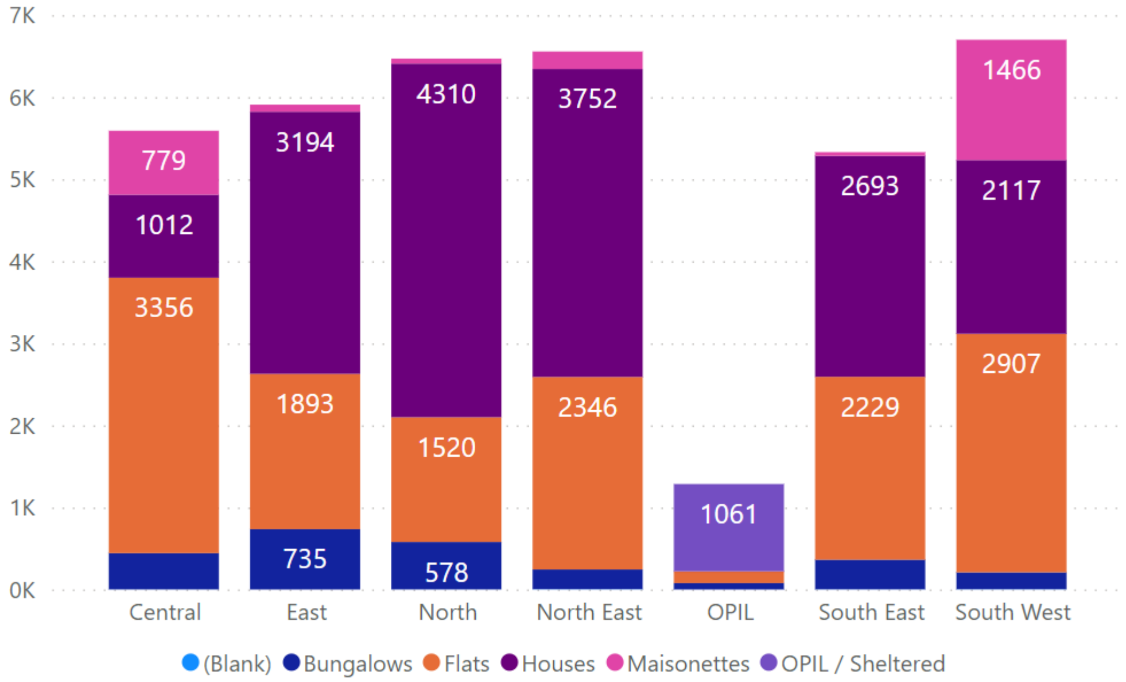
The bar chart provides a breakdown of the number of council housing stock by neighbourhood area.

Number of Bedrooms by Neighbourhood Area

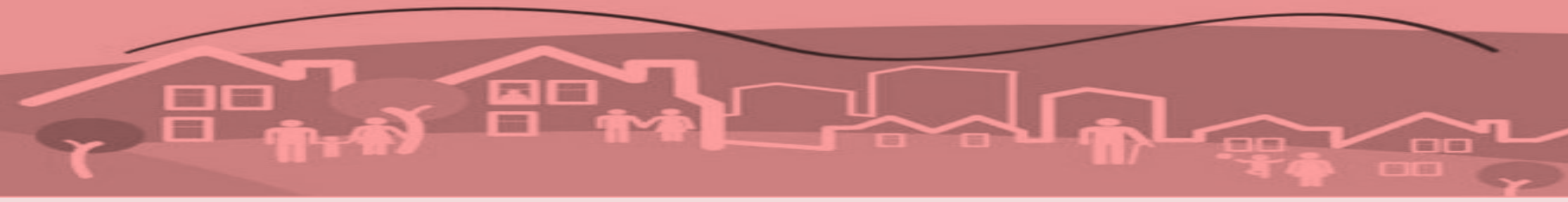


The bar chart shows the number of bedrooms of council housing stock by neighbourhood area.

Building Type by Neighbourhood Area



The bar chart shows the number of different council housing building types by neighbourhood area.



4.HRA Business Plan Priorities

The annual update of the Business Plan provides the opportunity to review our current priorities for both service delivery and investment in council homes. Members agreed a revised set of priorities for the Business Plan in 2023/24 to ensure that it remained responsive to tenants needs and to the economic situation at that time. These priorities have been reviewed as part of this plan and the recommendation is that these remain as the key focus for 2024/25.

Key Priorities 2024/25

Improving our repairs service

We recognise that this is the top priority for our tenants and are finalising a robust improvement plan to meet that challenge. We have made positive steps in improving performance around gas safety and have strengthened our focus on customer service, productivity and improving first line management. The inflationary environment has had an enormous impact on the costs of materials and contractors and our ability to deal with demand from tenants – particularly because of national campaigns around disrepair and damp, mould, and condensation. Our improvement plan provides a focus for the next 12 months as we aim to further reduce repair times for customers, clarify roles and responsibilities through a new Repairs Policy and ensure that satisfaction with the service meets rising customer expectations.

Tackling damp and mould in council homes

We continue to see levels of damp, mould and condensation reported in line with the national trend. Our dedicated damp and mould team is being expanded so we can respond to customer requests within our five-day target. We are building our data led intelligence of damp and mould cases across the city through the work of the Damp and Mould Taskforce working with all key service areas so we can develop the most appropriate response and interventions to resolve any identified issues.

Improving the management of disrepair claims

Investing in our existing homes is just as an important as investing in new homes. We will ensure our homes remain safe, modern, and warm and we will continue with our investment plans during 2024/25. We will explore opportunities that help improve our current homes and help to reduce carbon emissions and look at ways to make our existing homes more energy efficient. We will also continue our work on making environmental improvements such as paths, boundaries, and communal spaces.

Reducing the time our council properties are empty

The demand for council homes remains high and it is important that we have our council homes available to be re-let once vacated. Over the last year, we have improved our processes and reduced the time it takes from a tenant handing in the keys to a new tenant moving in. A new Housing Vacant's Team has been set up to improve in this area. The new team's initial focus has been to reduce key safe fitting times, process improvements with temporary accommodation relets and reclassifying new acquisitions. Our performance, at over 100 days, is still much higher than our peers. As this work starts to embed, we expect savings to be realised as a result of improvements in this area.

Develop our Asset Management Strategy

Our Asset Management Strategy will be developed over the forthcoming year and will be influenced by the findings of the stock condition surveys undertaken during 2024 and 2025. The Asset Management strategy will focus on keeping our customers safe and warm, improving the quality of homes, neighbourhoods, and local communities. This means that we will address our statutory obligations including fire safety, electrical and gas compliance and damp and mould in addition to maintaining decent homes standard compliance.

Improve our health and safety compliance

We will ensure that we conduct health and safety checks to properties and communal areas, including fire safety gas and electrical safety checks to properties. We will also ensure that customers are aware of the checks required, how important they are to keep them safe and that they should work with us to ensure that we can complete checks on time. Where tenants prevent us completing checks, we will take more robust action to enforce our tenancy conditions where appropriate.

Manage fire and building safety compliance

We are putting in place a programme of works to ensure full compliance with the Building Safety Regulator regarding fire and building safety. The four single staircase tower blocks will have been upgraded to current fire standards by the end of December 2023 and a plan is in place to upgrade the remaining 20 dual staircase tower blocks during the next five years. This work will include closing off the internal bin chutes, providing external bin provision and installing misting systems in all flats. We are also looking to replace all doors where required to the low-rise flats, OPIL properties and maisonettes to comply with fire regulations. We will also be setting up a tenant and resident High Rise Forum, so we are directly collaborating with tenants and leaseholders living in high rise on tenancy management and maintenance arrangements to ensure our homes remain safe and, fully compliant with regulations.

Proactive housing management

We will be proactive in our management of neighbourhoods, tackling local issues early, reviewing and enforcing tenancy conditions, challenging anti-social behaviour, tenancy breaches and incidents of fraud, across all tenancies, including introductory tenancies. We want our multi-tenure neighbourhoods to be great places in which to live. We will ensure we fulfil our safeguarding responsibilities. Tenants will feel safer and experience a greater level of satisfaction with us as a landlord.

Improve customer satisfaction

We will improve customer satisfaction, focusing on our performance in the areas that customers tell us that matter to them. We are regularly collecting customer satisfaction data and using this information to identify where service improvements can be made.

Advice and support to tenants to manage their finances

We will ensure that advice and support is available to tenants who need assistance to access funding or direct financial support. We will continue to work with tenants in local communities, including attending foodbanks as well as other local venues with partners. Our aim is that this work with different groups will increase take up of funding and benefits available, increasing financial resilience, and ultimately result in increased confidence and ability to maintain rent payments.

Accelerate the retrofitting of Sheffield's housing stock

Our short-term focus is on reducing household energy consumption and tackling fuel poverty through advice, support, and low-level interventions. We will continue to deliver Social Housing Decarbonisation Fund (SHDF2) money supporting important energy improvements to approximately 350 homes and continue to explore opportunities to leverage ECO4 funding to facilitate more energy works to worst performing homes. Retrofit pilot projects will also be undertaken to evaluate different carbon reduction solutions. We will produce a roadmap to Net Zero to explain our commitment to working towards an incredibly challenging target for the city.

We will improve the customer experience

We will improve our digital offer with more opportunities for customers to access our services online, freeing up our telephone lines for those with more complex needs or without online access. This will make it easier for customers to contact us and access our services in the ways which are most convenient to them. We will improve the way we record what lessons we have learnt from customer complaints, and ensure this learning is shared with senior managers so that it can be used to make service improvements. Services will be improved based on real customer experience, putting things right where things have gone wrong so that our mistakes are not repeated.

We will be fair and respect all our customers

Fairness and respect are themes firmly embedded in all that we do. Ensuring our services are accessible, inclusive, and meet the needs of all our customers remains a key priority. Understanding who our tenants are is also important and helps us when designing and improving the services we provide. We want to ensure under-represented groups engage in our work and have a voice. These themes link strongly to our Council values as we aim to embed fairness and respect into all our interactions with tenants, colleagues, and partners. We are responding to recommendations made from the Race Equality Commission Report. We have developed a Housing and Neighbourhoods service action plan which aims to address issues highlighted in the report that are specific to housing services and progress on this will regularly be reported to our tenants and, the Housing Policy Committee.

We will increase the opportunities for tenants to get involved in shaping services

We are refreshing our tenant engagement and involvement structure, so it provides a wider choice of engagement activities that tenants can get involved with. In addition to our new online engagement platform, we are also launching tenant mystery shopping, a refreshed Tenant Scrutiny Panel, and a new Tenant Voices Matter Panel. We are also planning tenant panels themed under the revised Regulator Consumer Standards. This will ensure that tenants can discuss and feedback on specific council housing services that fall under each of the new standards. Alongside this, we will continue to support our work with Tenant and Resident Associations (TARAs) and link closely with colleagues in the Local Area Committee teams and Youth Services supporting our vulnerable young people.

We will invest in our IT infrastructure

We will be implementing an integrated housing management system, NEC Housing, in two phases during 2024/2025. Phase 1 is planned to be implemented in May 2024 and Phase 2 completed by December 2024. All customer and asset data will be held in one system, improving data quality and consistent reporting. Customers will benefit from a new on-line portal giving better access to their tenancy and more on-line opportunities to access services.

5.Investment Programme

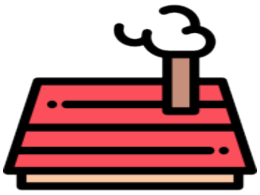
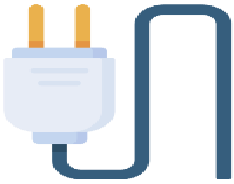
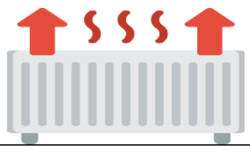
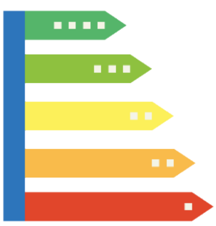
5 Year Investment Programme

Each year as part of the business planning process for the HRA we review our 5-year capital investment programme. The Housing Capital Investment Strategy focuses on a ‘fabric first’ approach to protect council housing assets, to reduce our ongoing and long-term repairs and maintenance obligations and increase tenants’ satisfactions with their homes. We have now commenced an area-based investment approach to reflect local priorities that are important to residents and tenants. Close working arrangements are in place with the Council’s Repairs Services to ensure alignment across Capital and Revenue investment.

During the year we will be boosting our stock condition, Energy and Housing Health and Safety Rating (HHSRS) Surveys to further inform investment priorities for the housing stock which will help to create a new Asset Management Strategy. This will also need to consider the government review of the Decent Homes Standard which we expect to conclude in 2024, alongside the challenge of meeting EPC-C for all housing stock and achieving the longer-term Net Zero Carbon ambitions set by the Council. Addressing Damp and Mould concerns continues to be a priority for the Council to ensure that all tenants have safe, quality homes that are free from damp, mould, and condensation.

In 2012, at the end of the Decent Homes Programme, we had 100% stock condition surveys as part of the £700m improvement programme in Council homes. Since 2012 we have conducted routine stock condition surveys on a 20% rolling survey programme which validated the 30-year Business Plan. Condition surveys were paused in 2020 due to COVID and we are now building up capacity once again to meet the needs of the Regulator. Additional survey resources are being procured and will be fully resourced by quarter 1, 2024, with the aim of achieving a minimum of 80% stock condition data by March 2025 and 100% by the end of June 2025. This stock data will be validated against our current planning assumptions on a quarterly basis, alongside data from our responsive repair activity, to ensure that our investment plans remain up to date. Progress will be captured as part of our evolving Asset Management Strategy which will take shape in 2024/25. This will be developed through a position statement in March 2024, based on the evidence we have to date and our approach to capital investment as part of our strategy with a more detailed strategy to follow later in the year, setting out the future direction of council housing investment in the city. In addition, work is currently starting on developing a series of stock option appraisals for estates in Sheffield which are making a negative contribution towards the Housing Revenue Account. Again, this work should be completed by January 2025 and will provide a series of options and recommendation in relation to this stock.

The tables in the Financial Appendix provide the financial details of the work currently planned for 2024/25 and the following 4 years. A brief description of the main elements of the planned programme is included below.

Investment area	Progress so far and plans for 2024/25
Roofs 	A new 5-year roofing contract is at pre-tender stage. The tender process is scheduled for Quarter 4 of 2023/24 and contractor start on site is scheduled for Quarter 1 of 2024/25. This programme will provide new roof coverings, facias, and rainwater goods to circa 5,000 homes. As part of this programme, we will be installing Solar PV (with Energy saving batteries where possible) on circa 60 low rise blocks of flats and several houses and bungalows. The location and allocation of this work will depend on tendered prices, directing works to the least efficient stock with the most fuel vulnerable tenants.
Kitchens, Bathrooms, Windows, and Doors 	The current contract to deliver elemental improvements to homes is scheduled to run until 2026. The project will deliver replacements to kitchens and bathrooms, to include boiler and electrical system upgrades. It will also deliver window and door replacements in properties that will fail the decent homes standard over the contract period. The contract includes capacity for improvements to some void properties, meaning that, in total, an estimated 3950 properties will benefit from this programme.
Electrical Upgrade 	We have procured an external contractor to deliver a phased electrical upgrade of our housing stock across the city, the contract has been in place since 2021 and will run until 2027. The electrical upgrade programme will make improvements to the installations in our homes ensuring there are adequate electrical sockets and properties meet the most recent regulations. Part of this programme will ensure all properties have a hard-wired smoke and carbon monoxide systems; this will phase out our current battery-operated systems that are currently in use. So far 4,248 properties have benefited from upgrade works and a further 9,122 are programmed to have work during the remainder of the contract.
Fire Safety and Communal Area Work 	The work to improve fire safety and prevention at the Hanover and Deer Park Tower Blocks is scheduled to complete in Quarter 4 of 2023/24. This contract includes some additional work to the internal decoration as well as new waste management and recycling facilities. Plans are being developed to replicate this work in the remaining tower blocks in the housing stock with work scheduled to start in 2025/26.
Heating Replacement Programme 	We are currently scoping out programme options that will allow us to work towards upgrading our current gas fuelled boilers across our estate. In the short term we are overseeing a heating breakdown replacement programme which will replace an estimated 1,200 boilers within the next 2 years.
Energy Efficiency Work 	There are two external wall insulation projects currently on site with a total of 375 properties set to benefit from the work. The programme will deliver external wall insulation work to non-traditionally built properties. Both projects will also tackle structural repairs and provide much needed improved thermal insulation through the application of the external wall insulation systems. These projects will also address window and door replacement in properties that have not received this work as part of the decent homes programme. All work is scheduled to be complete by 2025/26.

Stock Increase Programme

The original business case for the Stock Increase Programme (SIP) has changed significantly over the past couple of years. The 2023/24 Business Plan update confirmed that the overall budget would be maintained but given some cost increases may result in reduced number of units. The ambition remains to increase supply of additional homes through acquisition and new supply to offset losses through Right to Buy (RTB) and maximise the use of external grant funding and 1-4-1 receipts over the life of the 30-year HRA Business Plan.

This 2024/25 review of the HRA Business Plan has maintained the remaining capital allocation to the SIP through to 2029. This budget is predicated upon a complex funding matrix which is continually changing. The current economic conditions mean there is a risk that homes delivered directly by the Council will cost the HRA more than their resultant market value, due to high site abnormal costs unless additional external funding can be secured. This is a similar issue faced by many providers. The limitations on the use of Right to Buy receipts set by government present the Council with a risk of having to pay back receipts if the SIP does not satisfy the programme and/or tenure/type mix requirements.

The focus for the SIP to 2029 will be on acquiring new market homes, strategic acquisitions and directly delivering a small number of housing sites which remain viable and that will continue to meet an identified need for housing in the city. This may lead to a review of commitments and the release of land where sites are no longer viable under current market conditions. We will continue to maximise the use of RTB receipts to maintain our programme of acquisitions, again to meet identified need. The Council's new Housing Strategy due to be presented to the Council's Strategy and Resources Committee later this financial year will continue to set out the housing need and affordable housing requirements for the city and any gaps in provision. This will inform future discussions with the Housing Policy and other Committees to formalise the Council's wider housing growth ambitions throughout 2024/25 to maximise the use of available funding alongside the HRA capital allocation.

Sheffield has a significant shortage of affordable housing to meet the unprecedent demand for social housing – a shortage of over 902 homes per year based on our last housing market assessment. This is placing increased pressure on housing provided by the Council and Registered Providers. The Council's new Local Plan and Housing Growth Strategy, working alongside government, strategic partners, Homes England, and South Yorkshire Mayoral Combined Authority (SYMCA), aims to increase the number of affordable homes in the city. The Council cannot meet the affordable housing shortfall on its own, but it can make a significant contribution to this work as part of its HRA Stock Increase Programme to replace homes lost through RTB and support increasing provision of supported housing to meet current and future needs. Most of this accelerated affordable housing growth will be via working with external partners who share the Council's commitment to needing to increasing supply.

Sheffield City Council, its Leader and Chief Executive are collaborating with key partners in the city through the Sheffield Together Partnership with Homes England, the SYMCA, the Sheffield Property Association, and members of the South Yorkshire Housing Partnership to strengthen the focus on enablement, intervention, and delivery. We are actively reviewing all sites within the emerging Sheffield Plan for affordable housing compatibility and exploring a variety of affordable housing delivery models to strengthen pipeline across all delivery routes. We will look to enhance this relationship by exploring opportunities with RPs to address the overall affordable housing shortfall by maximising the use of land in the delivery of new homes in circumstances where the Council is not able to directly deliver. This will be critical to ensuring that the range and type of affordable homes in the city continues to increase addressing together the annual affordable housing shortfall of 902 homes per year.

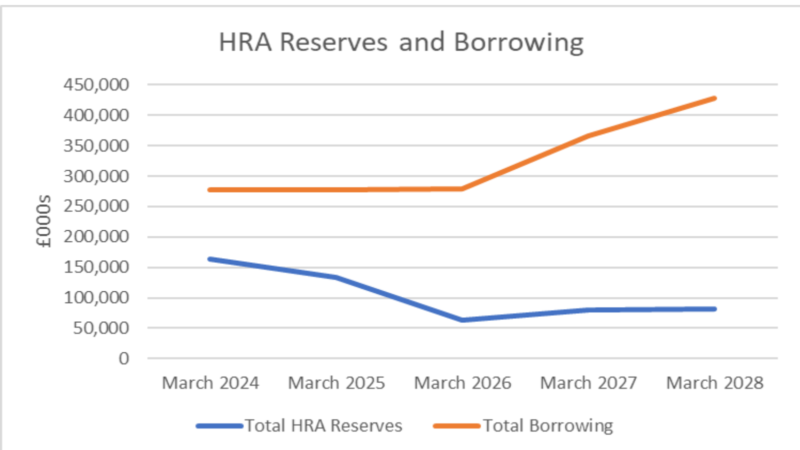
6.Commercial Resilience

We must maintain a viable 30-year Business Plan to deliver our priorities and improve services to tenants. We do this by managing our rental income and operational expenses to reinvest in existing homes and neighbourhoods alongside the creation of new homes. This requires a rigorous approach to business planning and fiscal management to mitigate the impact of the challenges from national and local policy, whilst delivering on our priorities. The development of our Asset Management Strategy will inform the longer-term capital investment need for existing stock, which will need to be balanced with the resources that are available in the 30-year Business Plan. A robust process, following the new Asset Management Strategy in 2024, will be to refresh archetype option appraisals of its Council housing stock and alongside a potential replacement or regeneration strategy.

To make the most of our position in the city and to ensure that we have a viable 30-year Business Plan, we will continue to work with partners and identify new opportunities to deliver more social housing in Sheffield. Development of our Asset Management Strategy will inform our procurement strategies for delivering investment into our existing homes and our stock increase programme. In accordance with our standard processes, we will incorporate social value and employment and skills outputs as contractual requirements to deliver jobs and wider benefits to the communities we serve.

This report sets the 5-year medium-term position of the HRA Business Plan, including the operating account and Housing Capital Investment Programme. The HRA is a ring-fenced account and therefore all capital investment must be funded from a combination of revenue contributions (mainly rents) capital receipts, grant funding and borrowing. The interest costs from any borrowing will need to be affordable from our rental income. Over the next 5-years we are planning to increase our borrowing to partially fund our Stock Increase Programme from increased rents from new supply. These loan repayments will be fully funded from the additional rental income from the resultant new properties and, when capital debt is repaid will create a surplus that can support the wider costs in the HRA in the longer term.

Investment into our existing stock will be through a mixture of revenue, capital receipts and capital reserves. The graph below presents the 5-year position on borrowing and reserves. This shows the increasing use of reserves to fund the capital investment programme up to 2026 before undertaking new borrowing for existing stock from 2026. After 2026, a revenue budget will need to be identified within the model to cover the cost of any loans taken out to fund improvements for existing stock.



Right to Buy sales continue to have an impact on our Business Plan and we are anticipating that we will lose a further 6,320 homes over the 30-year plan and these assumptions have been built into our financial planning. Right to Buy sales will continue to generate '1-4-1' receipts for reinvestment into new homes through stock increase. Receipts cannot be used to fund investment in existing stock but can support the creation of additional Council homes to replace some of the rental income reduction from RTB sales.

Our current SIP to 2028/29 aims to increase our stock by approximately 1,166 homes. Reinvestment of our RTB receipts back into new homes will increase our stock from 2029/30 to the end of the 30-year plan by a further 653 homes, creating a total of 1,819 additional homes by 2053/54. With stock increase and anticipated RTB sales, we estimate that our total stock will be around 33,900 by 2053/54, compared to total stock of around 38,400 homes now. This is a significant reduction in social homes for the city which already has an affordable housing shortfall of 902 homes per year. Partnership working to mitigate that need will be even more essential over the longer term.

Over the longer-term, we will need to balance this investment in new homes with investment in our existing stock to offset stock losses. Any borrowing for additional homes needs to be sustainable and funded through the increased rental income that this will generate. Any borrowing for our existing stock will increase the interest charge in our operating account and we will need to be able to service these costs from future rental income.

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

7.Risks

The HRA has operates on a ‘self-financing’ basis with local authorities funding council housing from the income generated from rents and other charges. Although ‘self-financing’ provides the Council with more flexibility, it also brings additional risk.

Risks to the HRA are collated and monitored via the risk register and are primarily concerned with threats to income and expenditure that would compromise the viability of the HRA Business Plan. These risks are reviewed and regularly updated. The key risks to the HRA Business Plan include:

- The impact of Welfare Reform
- Health & Safety/Fire Risks on Council Tower Blocks and Other High-Risk Buildings
- An increase in Interest, Borrowing and Inflation Rates
- Increase in Repairs Costs
- Review of the Government Rent Standard
- Journey to ‘Net Zero’
- Future changes to the Decent Homes Standard
- Regulatory changes to social housing

More detailed consideration of the overall 30-year viability of the Business Plan and the steps that are being taken to manage this are set out in the Commercial Resilience section above. The HRA unearmarked revenue reserve is currently £5.6million, a similar level is currently assumed for 2024/25. The fiscal impact of the above risks far exceeds the reserve held, but the likelihood of all these risks being incurred in any one year is low and therefore, it is not deemed prudent, nor offers best value to hold sufficient reserves for all eventualities. However, the level of reserves will be monitored to ensure that the reserves levels are adequate to cover future expected pressures in the medium term.

Key Financial Assumptions 2024/25

The detailed financial model behind the HRA Business Plan includes several assumptions we have used to understand what resources will be available for council housing over the next 5 years in the context of the next 30 years. These baseline assumptions are listed below.

Revenue Assumptions	Assumption
Opening number of homes 2023/24	38,397
Estimated number of additional homes by 2053/54	1,819
Estimated number of RTBs to 2053/54	6,320
Estimated number of homes by 2053/54	33,896
Average rent in 2024/25 (50-week rent)	£92.71
Consumer Price index (CPI) of inflation September 2023	6.70%
Void rate	3.25%
HRA risk-based reserve 2024/25	£5.6m

Rents

We have assumed that rent will increase each year by the amount allowed by the Rent Standard (i.e., September CPI + 1%). A below Rent Standard increase would impact on the income throughout the 30-year Business Plan. For example, compared to Rent Standard, a 5% rent increase would result in a loss of up to £183m in income over the 30-year life of the Business Plan, leading to job losses and cuts in services for tenants. A 7% increase would result in a loss of up to £47m over the 30-years. A reduction in the assumed income would mean that costs would need to be reduced to balance the Business Plan.

Garages

It is assumed as part of this report, rents for garage plots and garage sites are increased by 7.7% from April 2024 in line with dwelling rent increases.

Other Charges

It is assumed as part of this report, the burglar alarm charge from April 2024 is increased by 6.7% in line with September 2023 inflation.

It is assumed as part of this report, the sheltered housing service charge from April 2024 is increased by 6.7% in line with September 2023 inflation.

It is assumed as part of this report, the furnished accommodation charge from April 2024 is increased by 6.7% in line with September 2023 inflation.

Appendices

Appendix A	HRA Revenue & Capital Budget
Appendix B	5 Year Capital Investment Programme
Appendix C	Citywide Rents and Charges

Appendix A – HRA Revenue & Capital Budget

Revenue Account

Revenue Account	2023.24 Outturn	2023.24 Budget	Year 1 2024.25 Forecast	Year 2 2025.26 Forecast	Year 3 2026.27 Forecast	Year 4 2027.28 Forecast	Year 5 2028.29 Forecast	Years 1-5 2024.29 Total
INCOME (in £millions)								
Net income dwellings	160.3	161.6	173.9	183.1	189.9	196.4	202.7	945.9
Other income	7.8	6.9	6.7	7.0	7.2	7.4	7.7	36.0
Total	**168.1**	**168.5**	**180.5**	**190.1**	**197.1**	**203.9**	**210.4**	**982.0**
EXPENDITURE (in £millions)								
Repairs and Maintenance	52.4	48.8	54.4	58.6	62.6	66.8	71.0	313.4
Tenant Services	61.4	61.7	68.5	69.2	70.9	72.6	74.3	355.4
Interest on Borrowing	13.0	13.7	14.1	14.1	16.1	18.7	22.0	85.1
Contribution to Capital Programme	41.4	44.4	43.6	48.2	47.5	45.8	43.0	228.2
Total	**168.1**	**168.5**	**180.5**	**190.1**	**197.1**	**203.9**	**210.4**	**982.0**
Revenue Reserve	5.6	5.6	5.6	5.6	5.6	5.6	5.6	

Capital Account Summary (see Appendix B for a detailed breakdown of the Mainline Capital Programme)

Capital Account	2023.24 Outturn	2023.24 Budget	Year 1 2024.25 Forecast	Year 2 2025.26 Forecast	Year 3 2026.27 Forecast	Year 4 2027.28 Forecast	Year 5 2028.29 Forecast	Years 1-5 2024.29 Total
EXPENDITURE (in £millions)								
Mainline Capital Programme	48.6	40.9	56.8	89.5	97.2	102.0	104.3	449.7
Stock Increase Programme	28.6	54.9	38.9	55.5	60.4	25.1	75.2	255.1
Total	**77.1**	**95.8**	**95.7**	**145.0**	**157.6**	**127.1**	**179.5**	**704.8**

Appendix B – 5 Year Capital Programme Investment

HRA Capital Programme	Year 0 2023_4 Outturn	Year 1 2024_5 Proposed Budget	Year 2 2025_6 Proposed Budget	Year 3 2026_7 Proposed Budget	Year 4 2027_8 Proposed Budget	Year 5 2028_9 Proposed Budget	Years 1-5 2024_29 Total
EXPENDITURE (in £millions)							
Heating and Energy	4.11	6.26	7.50	7.50	10.00	10.12	**41.39**
Carbon Reduction	15.03	8.60	3.95	7.20	9.49	9.49	**38.73**
H & S Essential Work	14.70	8.23	21.28	19.76	15.05	19.44	**83.76**
Adaptations & Access	2.95	3.30	5.46	3.30	3.30	3.30	**18.66**
Waste & Estate Environmental	0.81	2.77	3.37	5.02	3.82	3.10	**18.07**
Enveloping & External Works	1.58	9.55	15.04	14.50	19.47	18.66	**77.22**
Communal Area Investment	0.50	2.50	2.50	3.93	0.77	0.00	**9.70**
Internal Works	3.84	3.73	6.14	5.91	5.00	3.56	**24.34**
Other Essential Works	1.58	2.83	2.83	2.98	2.00	2.00	**12.65**
Garages and Outhouses	0.13	0.25	0.25	0.25	2.88	0.00	**3.63**
Gleadless Valley Regeneration	0.25	1.00	5.96	8.16	8.20	9.52	**32.85**
Sub-Total Core Investment Programme	**45.48**	**49.04**	**74.27**	**78.50**	**79.99**	**79.19**	**360.98**
Capital Management Fee	3.10	3.15	3.20	3.25	3.30	3.30	**16.20**
Sub-Total Other Capital Spend	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.30**	**16.20**
Total Capital Programme before inflation	**48.58**	**52.19**	**77.47**	**81.75**	**83.29**	**82.49**	**377.18**
Inflation		4.63	11.98	15.49	18.66	21.81	**72.58**
Total Capital Programme	**48.58**	**56.82**	**89.45**	**97.24**	**101.95**	**104.30**	**449.76**
Stock Increase Programme	28.56	38.88	55.53	60.35	25.15	75.16	**255.07**
Total Capital Programme	**77.14**	**95.70**	**144.98**	**157.59**	**127.10**	**179.46**	**704.83**

Appendix C – Citywide Rents

Citywide average weekly rent by bed-size

Bed size	Average weekly rent (50 weeks)		Increase	Rate
	2023/24	2024/25		
Bedsit	£66.60	£71.73	£5.13	7.70%
1 bed	£76.30	£82.17	£5.87	7.70%
2 bed	£87.06	£93.77	£6.71	7.70%
3 bed	£97.06	£104.53	£7.47	7.70%
4 bed	£116.08	£125.02	£8.94	7.70%
5 bed	£117.26	£126.29	£9.03	7.70%
6 bed or more	£123.01	£132.49	£9.48	7.70%
Total (all bedroom's average)	£86.08	£92.71	£6.63	7.70%