



SHEFFIELD CITY COUNCIL Cabinet Report

Report of: Executive Director, Communities
Executive Director, Place
Executive Director, Resources

Date: 16th January 2013

Subject: Housing Revenue Account (HRA) Business Plan 2012-17
update report, HRA Budget and Rent Increase 2013/14

Author of Report: Liam Duggan & Louise Cassin, 293 0240

Summary:

This report provides the 2013/14 update to the Housing Revenue Account (HRA) Business Plan 2012-17. It includes proposals to provide additional support to tenants affected by welfare reform, a new programme of council housing new build, a new programme of communal area refurbishment and sets out an improved long term financial position for the business plan.

This report also presents a 2013/14 revenue budget for the HRA.

A separate report on the Capital Programme, which includes the Council Housing Investment programme 2013/14, will be discussed by Cabinet on 13th February 2013. This will include details of the Council's funded capital investment plan for council housing. The service and financial plans for the HRA in this report complement the Council Housing Investment programme.

Rent increases continue to be driven by Government's national social rent policy and harmonisation with the housing association sector with the target for rent convergence set at 2015/16.

Reasons for Recommendations:

To maximise the financial resources to deliver outcomes on key services in the context of the new national council housing finance regime.

To contribute to making neighbourhoods a great place to live by ensuring continued investment into Sheffield's council housing.

To continue to plan for the long term sustainability of services whilst taking every opportunity to introduce service improvements.

Recommendations:

It is recommended that:

1. The HRA Business Plan update report for 2013/14 is approved
2. The HRA Revenue Budget for 2013/14 as set out in Appendix B to this report is approved
3. Rents for Council dwellings are increased by an average of 4.8% from April 2013
4. Annual rents for garages and garage sites are increased by an average of 4.8% from April 2013
5. Community heating charges increase by 5% in 2013/14
6. The Director of Commissioning, Communities in consultation with the Cabinet Member for Homes and Neighbourhoods, be granted delegated authority to increase the sheltered housing service charge in the event of the City Wide Care Alarms charge being increased in 2013/14
7. Charges for furnished accommodation, interim accommodation and burglar alarms are not increased
8. The Director of Commissioning, Communities and the Director of Finance, in consultation with the Cabinet Member for Homes and Neighbourhoods, be granted delegated authority to authorise prudential borrowing as allowed under current government guidelines

Background Papers:

Report to Cabinet, *Housing Revenue Account Business Plan 2012-17*, 25th January 2012

<http://meetings.sheffield.gov.uk/council-meetings/cabinet/agendas-2012/agenda-25th-january-2012>

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Liz Orme
Legal Implications
YES Cleared by: Andrea Simpson
Equality of Opportunity Implications
YES Cleared by: Phil Reid
Tackling Health Inequalities Implications
NO
Human rights Implications
NO
Environmental and Sustainability implications
YES
Economic impact
YES
Community safety implications
NO
Human resources implications
YES Cleared by: Jo Wright-Coe
Property implications
NO
Area(s) affected
All Community Assembly areas
Relevant Cabinet Portfolio Leader
Cabinet Member for Homes and Neighbourhoods Cabinet Member for Finance
Relevant Scrutiny Committee if decision called in
Safer and Stronger Communities Scrutiny Committee
Is the item a matter which is reserved for approval by the City Council?
YES
Press release
YES

HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN REVIEW 2012/17 REVENUE BUDGET AND RENT INCREASE 2013/14

1.0 SUMMARY

- 1.1 This report provides the 2013/14 update to the Housing Revenue Account (HRA) Business Plan 2012-17. It includes proposals to provide additional support to tenants affected by welfare reform, a new programme of council housing new build, a new programme of communal area refurbishment and sets out an improved long term financial position for the business plan.
- 1.2 This report also presents a 2013/14 revenue budget for the HRA.
- 1.3 A separate report on the Capital Programme, which includes the Council Housing Investment programme 2013/14, will be discussed by Cabinet on 13th February 2013. This will include details of the Council's funded capital investment plan for council housing. The service and financial plans for the HRA in this report complement the Council Housing Investment programme.
- 1.4 Rent increases continue to be driven by Government's national social rent policy and harmonisation with the housing association sector with the target for rent convergence set at 2015/16.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE?

- 2.1 The Council owns approximately 41,200 homes that are home to over 48,000 Sheffield people as tenants. In addition, approximately 2,200 leaseholders also receive housing services from the Council. The HRA is a statutory account that includes the resources that provide council housing services to tenants. It will be the Council's current tenants and future tenants who will be affected by the ongoing choices that are made in the HRA Business Plan.
- 2.2 One of the aims of the business plan update is to monitor the long term sustainability of council housing as a vital service for Sheffield people. The foundation of the HRA Business Plan is to ensure that council homes are occupied because letting homes generates the rental income which funds all aspects of council housing.
- 2.3 The guideline rent increase arising from the national social rent policy will affect council tenants. In line with the Government's formula, annual rents will increase by an average of 4.8% in 2013/14 (as illustrated at Appendix C).
- 2.4 The Council is reviewing the City Wide Care Alarms charges for 2013/14. The sheltered housing service charge includes an amount for city wide alarms. Any change in the cost of the care alarms service would result in changes to the sheltered housing service charge. A decision on the City Wide Care Alarms Charge will be made in March 2013 as part of the council's wider budget decisions.

- 2.5 Charges for furnished accommodation, interim accommodation and burglar alarms will remain unchanged.
- 2.6 A new build programme of 75 new council homes over the next 3 years will provide new and existing tenants with greater choice and availability of high demand social rented family housing, as well as providing a boost to the economy.
- 2.7 A new refurbishment programme addressing the standards of communal areas in low rise flats will benefit around 3000 properties and make smaller dwellings more attractive for people looking to downsize.

3.0 OUTCOMES AND SUSTAINABILITY

- 3.1 The proposals in this update report are aimed at maximising financial resources to deliver outcomes to council tenants in the context of the Government's HRA reform settlement, developments to national policy (Right to Buy and welfare reform), the current economic climate and reductions in government funding.
- 3.2 The HRA is the 'landlord account' that covers the day to day housing management and repairs services for council tenants. It includes the rental income and other income from tenants and all related expenditure.
- 3.3 The original HRA Business Plan 2012-17 forecast that all planned activity was fundable over the long term but financial challenges remained. These included
 - the need to delay investment to homes from the early to the later years of the plan,
 - an inability to make provision for the repayment of debt in full over 30 years,
 - a number of items which could not be funded so were not built into the plan e.g. refurbishment of communal areas.
- 3.4 The Council must ensure that under self-financing council housing has a sustainable future in Sheffield. The purpose of the HRA Business Plan 2012/17 and the update report for 2013/14 is to ensure that the investment and services required for council housing, including debt to be serviced, can be met by the income raised in the HRA.
- 3.5 Building new council housing will allow the HRA to retain any additional Right to Buy receipts generated as a result of the government's 'reinvigoration' of Right to Buy and will provide an additional rental income stream for the HRA in the long term.
- 3.6 The start of a programme to refurbish communal areas will make flats more attractive to tenants and residents looking to downsize and should reduce tenancy turnover.
- 3.7 The improved financial position of the business plan means that resources are now available to tackle the maintenance backlog earlier

than originally planned.

- 3.8 The revised 30 year affordability profile for the plan which takes account of the changed financial and planning assumptions in this report is that the HRA does now have the capacity to repay the principal debt sum over the 30 year life of the plan. This is an improved position from the original business plan position and indicates a more secure financial footing with reduced exposure to interest rate risk.

4.0 THE HRA BUSINESS PLAN 2012-17

- 4.1 The objectives of the City Council's first business plan for the HRA under the new self-financing arrangements 2012-17 were;
- Create balanced budgets for next five years, and
 - Prioritise investment that will reduce costs over the long term and allow us to begin funding activity that is currently unaffordable.
- 4.2 The business plan set out the main areas of investment in the early years, aimed at reducing costs overall:
- activity to mitigate the impact of welfare reform,
 - making the best use of the homes we have by improving the rehousing process and supporting tenants to sustain their tenancies,
 - invest to save projects for estate services with an emphasis on reducing fly tipping costs, and
 - reducing the maintenance backlog in the early years, with heating systems as a top priority.
- 4.3 These priorities were to be funded from the following key income and efficiency choices:
- implementing the rent increase as set by Government's national social rent policy,
 - limited prudential borrowing within the borrowing limit,
 - closing the Decent Homes affordability gap,
 - invest to save projects on estate services,
 - reducing the funding available for the Going Local budget,
 - efficiency savings on support costs.

5.0 REVIEWING THE 2012-17 BUSINESS PLAN

- 5.1 The first business plan for the HRA under the new self financing arrangements was approved in January 2012. In this first year of 'self financing' it has not been necessary to undertake a wholesale review of the policy choices set out in the original business plan.
- 5.2 However, since the business plan was published in January 2012 a small number of key factors have had a significant impact on the plan. These are set out in section 6 of this report. Because of their significance these factors have been the focus of the review in 2012 and the focus of the council's conversation with tenants. This has led

to new strategic policy choices being made in this business plan update.

- 5.3 As well as these new strategic choices all the original planning assumptions and targets in the plan have been reviewed and where necessary updated for 2013/14.
- 5.4 During the first year of the business plan, tenants have been informed and consulted via:-
 - City Wide Forum (20th September 2012)
 - The Annual Residents and Governors Conference (5th October 2012)
 - City Wide Forum (15th November 2012)
- 5.5 Tenants also made a contribution to individual areas of the business plan indirectly through Partnership Groups, Challenge for Change and consultation events.
- 5.6 The City Wide Forum in September provided an opportunity to remind tenants of the original business plan and to provide information on progress of the key business plan projects.
- 5.7 The Annual Residents and Governors Conference highlighted the likelihood that additional resources would be available to the business plan as a result of the changed planning assumptions and asked tenants for their view on potential new investment priorities:
 - maintenance backlog,
 - unfunded items,
 - new build,
 - welfare reform mitigation,
 - other priorities
- 5.8 Whilst the support of tenants through welfare reform was a consistently high priority, no clear view emerged on the other strategic priorities of tenants. The feedback from tenants at the Annual Residents and Governors Conference was fed back to the City Wide Forum in November together with an update on the review of the business plan.
- 5.9 In January an update report on the HRA Business Plan will be presented to the Safer and Stronger Communities Scrutiny Committee. The committee will be asked to provide feedback on the business plan update and particularly the proposals being put forward for the support of tenants through welfare reform.
- 5.10 This report to Cabinet and the HRA Business Plan update will be discussed with tenant representatives at the City Wide Forum on 11th January 2013. Comments made and views expressed will be reported verbally to Cabinet.

6.0 SUMMARY OF KEY CHANGES FOR 2013/14

- 6.1 A number of significant factors have changed since the business plan was published. These can be split into factors that improve and factors that have a negative impact on the financial outlook of the plan.
- 6.2 Factors **improving** the financial outlook of the plan:
- The Council's separation of HRA debt from General Fund debt as part of the transition to 'self financing' gave the HRA greater opportunity to take advantage of cheaper borrowing than originally forecast.
 - The decision to bring the delivery of Council Housing in house from April 2013 has been accompanied by efficiency savings. This will also result in the Sheffield Homes reserve being absorbed into the HRA.
- 6.3 Factors **negatively impacting** the financial outlook of the plan
- The Government has changed the Right to Buy policy. This sees the maximum price discount to tenants increase, the ring fence of any additional receipts to new affordable housing and requires that these receipts are matched by new resources at a ratio of 30:70 if they are to be retained locally.
 - The Council's developing understanding of the likely impact of welfare reform is resulting in higher than originally forecast arrears levels.
- 6.4 The net impact of all the changes is that the financial position of the business plan is significantly improved such that new investment activity can be factored in whilst still improving the long term viability of the plan.
- 6.5 The key strategic choices for the HRA Business Plan update 2013/14 are:-
1. A new build programme of 75 new council homes in the next 3 years.
 2. Additional resources allocated to support tenants and mitigate the potential impacts of welfare reform
 3. A programme of refurbishment to the communal areas of low rise flats starting with investment in door entry security and extending to new flooring and windows
 4. The improved financial position of the business plan means that resources are now available to tackle the maintenance backlog earlier than anticipated
 5. The Council's capacity to repay debt over 30 years is improved
- 6.6 The following sections provide an overview of the key changes affecting each of the main chapters in the HRA Business Plan 2012-17.

7.0 INCOME AND RESOURCES

- 7.1 It is proposed that in line with Government policy, rents for dwellings be increased by an average of 4.8%, equivalent to an average of £3.23 per week. Appendix C sets out the average rents per house size in Sheffield.
- 7.2 This is in line with the Government's national social rent policy for social housing. The policy aims to ensure that the rent for a similar sized property in a similar area has the same rental value regardless of whether it is owned by the local authority or a housing association. The Government expects the sector to reach target rents by 2015/16.
- 7.3 The self-financing settlement assumes our rent increase is in line with the Government formula. So, if the Council does not increase the rents by this amount this would have an impact on the HRA Business Plan. Savings would need to be identified from services or investment to offset the income shortfall.
- 7.4 The HRA Business Plan assumes rental income in line with the national social rent policy for social housing.
- 7.5 It is recommended that the charges for garages and garage sites are increased by 4.8% in line with the average annual rent increase for dwellings. In recognition of investment required on some garage sites, a strategy for garage sites is being developed in 2012/13. Discussion with tenants on this is underway.
- 7.6 The Council is reviewing the City Wide Care Alarms charges for 2013/14. The sheltered housing service charge includes an amount for city wide alarms. Any change in the cost of the care alarms service would result in changes to the sheltered housing service charge. A decision on the City Wide Care Alarms Charge will be made in March 2013 as part of the council's wider budget decisions.
- 7.7 The Community Heating service charge will increase by 5% in 2013/14 in order to begin addressing the difference between the charge passed to tenants and the current cost of energy. Any accumulated balances on the community heating account will be retained to smooth the impact of future price rises.
- 7.8 Charges for furnished accommodation, interim accommodation and burglar alarms will not be increased in 2013/14.
- 7.9 Detail in the HRA Business Plan update report, section 3 summarises the key changes for Income and Resources.

8.0 HOMES

- 8.1 The 2012-17 HRA Business Plan set out proposals for a £257m investment programme over 5 years which funded essential investment work, the completion of the Decent Homes forward programme by 2014, a programme of heating system renewal, the start of roof and electrical system replacement programmes and other projects.
- 8.2 No changes have been made to these original investment priorities and the £257m 5 year investment programme remains although some re-profiling of spend has taken place between years in order to allow time for tenants to have a meaningful say in how the investment is delivered locally.
- 8.3 In addition to the existing programme new priorities have been identified and new resources allocated. From 2013/14 a new build programme of 75 new council homes will commence. This will represent around £9.5m additional activity over 3 years which will make use of any additional Right to Buy receipts generated through the Government's 'reinvigoration' of the Right to Buy policy.
- 8.4 Also in addition to the existing investment programme will be the start of a new communal area refurbishment programme. This will be funded from £1.5m additional HRA resource matched with £1.4m existing resources for basic maintenance of communal areas brought forward from later in the 30 year plan.
- 8.5 These initial proposals for new investment activity are made for the next 3 years although current projections show that additional resources are likely to be available beyond this. How such additional resources are made best use of will be the subject of future discussions with tenants as the actual level of resource becomes clearer.
- 8.6 In order to maintain a 5 year planning horizon, a year 6 (2017/18) has been added to the programme consistent with the priorities and funding levels set out in the 2012-17 Business Plan. This sees the heating system renewal programme reduce as the programme winds down, the roof replacement programme continue at a high level and the electrical replacement programme grow. By year 6 it is expected that regeneration costs and waste remodelling costs have ended.
- 8.7 Whilst beyond the current 5 year planning horizon it is anticipated that the 2018/19 budget for roofs will be at least £16.4m in order that the roofing programme can continue as planned and all roofs with a higher priority can be addressed.
- 8.8 The improved financial position of the business plan means that resources are now available to tackle the maintenance backlog earlier than anticipated over the 30 year life of the plan.
- 8.9 Detail in the HRA Business Plan update report, section 4 summarises the key changes for Homes.

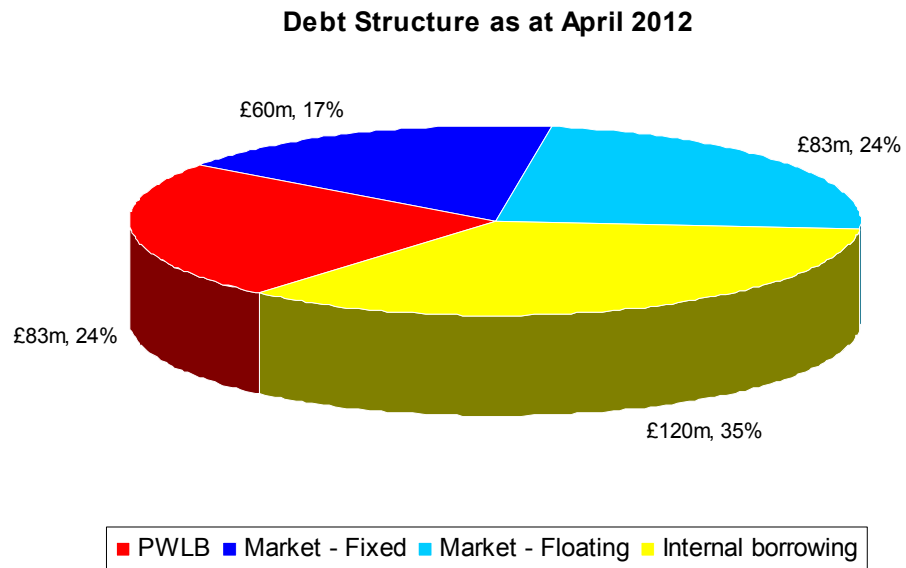
9.0 TENANT SERVICES

- 9.1 The Government's welfare reform continues to represent a risk to income management and other service areas such as rehousing and tenancy support. A key priority for tenant services will be the ongoing work to mitigate this impact and to ensure that all income owed is collected. The 2013/14 update report sets out how the resource allocated to the support of tenants through welfare reform in the business plan will be added to with immediate effect in order to provide a more comprehensive package of support to tenants.
- 9.2 The completion date for the lettings policy review is now March 2013, with implementation in April 2014. The implementation date for the new lettings website is now July 2013. Due to the slippage to the timetable, corresponding implementation costs and efficiency savings will be delayed.
- 9.3 A review of the delivery arrangements of estate services, including green and open space management on council housing land begun and a pilot established in the North east of the city to test integrated working between Sheffield Homes Estate Officers and Sheffield City Council Parks staff. It is proposed that the 10% efficiency target for Sheffield Homes and Parks in relation to the work undertaken on council housing land is delayed from 2013/14 to 2014/15 in order to allow time for tenants to have input into the future of the service via Future of Council Housing service design and Challenge for Change.
- 9.4 Savings from changes to the bulky waste service are being realised as planned. Proposals have been developed for a programme of education and enforcement to tackle the high cost of fly tipping and these will be shared with tenants prior to a phased implementation from late 2012/13.
- 9.5 Provision is made for a Going Local budget of £400k in 2013/14 although tenants will be consulted prior to April on whether this should be reduced to £200k to allow £200k to be added to the resources made available for investment in communal area refurbishment. This proposal comes as a high proportion of the Going Local budget is currently allocated to communal areas.

10.0 DEBT AND TREASURY MANAGEMENT

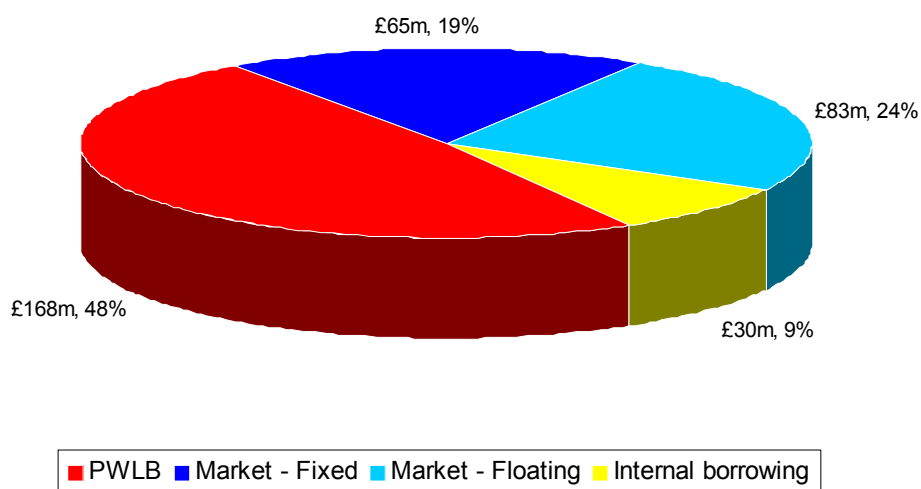
- 10.1 The move to self financing resulted in £518m of Sheffield's HRA debt being written-off by Government on 28th March 2012. This reduced the HRA's borrowing requirement from £864m to £346m. This took the HRA's share of the Council's overall borrowing requirement from 68% to 45%.

- 10.2 The move to self-financing means that the Council had to separate out HRA debt from General Fund debt and manage and account for each separately. Therefore the HRA was required to take 45% of the Council's debt portfolio which consists of fixed-rate PWLB (Public Works Loans Board) loans, fixed-rate bank LOBO (Lender Option Borrower Option) loans, floating-rate bank LOBO loans and internal borrowing.
- 10.3 HRA debt has now been separated from the General Fund for debt management purposes with each type of loan equitably assigned between HRA and General Fund. As at April 2012 the HRA's debt structure was as follows;



- 10.4 At the start of the year the HRA had a significant amount of internal borrowing. Internal borrowing represents the Council's use of cash reserves to finance capital expenditure. This was only a temporary measure and throughout the year a significant proportion of the HRA's internal borrowing needed to be replaced by external borrowing.
- 10.5 This has given the HRA to opportunity to take advantage of highly favourable borrowing rates throughout the year which has resulted in lower than forecast interest rate costs to the HRA for 2012/13 and beyond.
- 10.6 Currently the HRA's debt structure is forecast to be as follows;

Debt Structure forecast April 2013



- 10.7 Over a 30 year period the interest rate risks for the HRA will still be significant due to the amount of floating-rate debt and the need to refinance existing debt as it matures.
- 10.8 In order to mitigate interest rate risk, the business plan aims to make provision for the repayment of debt over a 30 year period whilst mitigating short term interest rate risk through the risk based reserves strategy.
- 10.9 A debt repayment plan will be developed for any new borrowing undertaken by the HRA under self financing. In the coming months work will also be undertaken to explore the potential for a repayment strategy for existing HRA debt in order to further reduce interest rate risk exposure to the HRA and allow flexibility for future investment requirements.

11.0 VALUE FOR MONEY

- 11.1 The 2012/13 business plan set out how greater value for money from the Council and Sheffield Homes will be achieved with 10% savings targets on support costs in 2012/13 and 7.5% savings targets in 2013/14. It is expected that these savings targets will be achieved.
- 11.2 Since the HRA business plan was published a tenant ballot has been held in respect of the Future of Council Housing project and a decision has been made to bring council housing delivery in house from 2013/14 with a view to realising efficiency savings as a result. These efficiency savings and the Sheffield Homes reserve have now been factored in to the business plan together with an initial budget for implementing the transition.
- 11.3 No decision has yet been made in relation to the future of the Repairs and Maintenance service post 2014 but the planning assumption of a

2% efficiency on the service post 2014 remains.

12.0 BUSINESS PLAN GOVERNANCE

- 12.1 The business plan set out how strong governance of the plan must include tenant and resident scrutiny of the business plan alongside councillor oversight / involvement and officer responsibility. The plan set out initial draft arrangements for governance of the plan which were to be developed during the course of 2012/13 in partnership with tenants and stakeholders and which would be subject to review once the outcomes of the Future of Council Housing and Repairs and Maintenance Procurement Strategy projects were known.
- 12.2 Initial draft arrangements for the governance of the business plan are in place and include the existing tenant and resident engagement structures, the annual Delivery Action Plan, Challenge for Change, Cabinet Member and Cabinet decision making, the HRA Business Plan board and the Safer and the Stronger Communities Scrutiny Committee.
- 12.3 In 2012, the Future of Council Housing project launched a project group called 'The opportunity to have my say'. This project group will build on the existing approaches to consultation and governance that are working well to make recommendations on the future shape of engagement and governance structures for council housing. The scoping of the project began in November 2012 and the work of the project group will run into 2013.

13.0 RISK MANAGEMENT

- 13.1 The risk management plan continues to form the basis of the Council's risk management strategy for the HRA Business Plan.
- 13.2 One of the most significant changes to the risk profile of the business plan in 2012 is as a result of the changed Right to Buy policy which has the potential to result in increased sales numbers and rent loss. This will be mitigated by the HRA retaining part of the Right to Buy receipts equivalent to the debt each sold property supported in the business plan before the receipt is pooled for new affordable housing.

14.0 FINANCIAL ASSUMPTIONS IN THE HRA BUSINESS PLAN

- 14.1 Reserves are maintained at the appropriate level to fund potential future financial pressures from risks such as welfare reform, maintenance backlog and interest rate changes.
- 14.2 The cost of Council Housing Services (previously the payment to Sheffield Homes for the delivery of housing services) for 2013/14 is held at the 2011/12 level of £29.9m as it was in 2012/13. This reflects the support cost efficiencies set out in section 7 of the business plan offset by the cost of some new service enhancements (e.g. welfare

reform mitigation) which is set out in section 5 the business plan.

- 14.3 The budget for the delivery of the investment programme (previously capital management fee) in 2013/14 will be held at £3.7m.
- 14.4 2012/13 Council budgets for the delivery of housing services will be reduced to £8.2m in 2013/14. This is in line with value for money savings on support costs as set out in section 7 of the original business plan.
- 14.5 The revenue repairs budget for 2013/14 has increased by assumed contractual inflation and adjusted for stock numbers. The communal facilities budget will increase by £200k in 2013/14 to reflect the cost of communal street lighting on council estates chargeable to the HRA. All other delegated budgets will remain at cash standstill in 2013/14 for the second year.
- 14.6 Detail in Annex A of the business plan update summarises the key financial assumptions.

15.0 HRA BUDGET PROPOSALS FOR 2013/14

- 15.1 The HRA Business Plan update (at Appendix A) sets out the proposals for 2013/14 and includes the key changes described in the Income, Homes, Tenant Services and Value for Money sections above. The HRA revenue budget for 2013/14 is set out in Appendix B to this report.

16.0 FORECAST OUTTURN 2012/13

- 16.1 Regular revenue budget monitoring reports have been brought during the year to Cabinet. These have shown a better projected outturn compared with the original budget.
- 16.2 The position for the HRA as at the end of October 2012 was a projected in-year surplus of £6.7m. A contribution to the Capital Programme of £0.4m will be made leaving a net surplus of £6.3m compared with a budgeted deficit of £1.3m. This is an improvement of £7.6m.
- 16.3 Further monitoring reports updating the 2012/13 position will be presented in accordance with the Council's budget monitoring timetables.

17.0 RECOMMENDED HRA BUDGET 2013/14

- 17.1 The 2013/14 HRA revenue budget is set out in Appendix B. The HRA opening reserve for 2013/14 is expected to be £25.5m (this includes the Sheffield Homes reserves of £7.5m as a result of Sheffield Homes transferring back to the Council).
- 17.2 The 2013/14 budget is based on an assumed in year surplus of £7.3m. This together with £15.5m from reserves will be used to make a

£22.8m contribution towards funding the 2013/14 capital investment programme.

- 17.3 By 31st March 2014 HRA Reserves are expected to be £10m with community heating reserves forecast to be £1.3m

Summary Recommended Budget 2013/14	HRA revenue (£m)
Forecast HRA balance (net) brought forward at 1 April 2014	25.5
Net Surplus/(Deficit) for year	7.3
Contribution to the Capital Programme	22.8
Forecast HRA Reserve Balance Carried Forward at 31 March 2014 (excluding community heating)	10.0
Community heating balance at 31 st March 2014	1.3

- 17.4 In accordance with the HRA's risk based reserve strategy it is recommended that £10m is maintained in 2013/14 in revenue reserves.
- 17.5 It is proposed to retain a community heating reserve of £1.1m to smooth out the impact of expected future energy price increases.

18.0 FINANCIAL IMPLICATIONS

- 18.1 The 2013/14 budget is the second annual budget set under the self-financing system. It follows the principles set out in the original business plan and allows for a continuation of services to tenants, revenue repairs to properties and also financial support for the Council Housing Investment programme by means of a contribution from revenue.
- 18.2 In addition, any annual revenue surpluses on the account are planned to provide further funding for capital investment.
- 18.3 The Council Housing Investment programme up to 2017-18 may require the HRA to undertake further borrowing as allowed under the current government guidelines. In these early years of self financing the debt strategy for the HRA will continue to be reviewed and developed in accordance with the Council's delegated treasury management policy.
- 18.4 Further details on the Council Housing Investment programme will be set out in the report to Cabinet on 13th February.
- 18.5 Appendix B details the initial five-year projections for the HRA income and expenditure account. These are based on current assumptions and will be reviewed during 2013/14 in the light of any known changes.

19.0 LEGAL IMPLICATIONS

- 19.1 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 "ring-fence") are governed by Part VI of the Local Government and Housing Act 1989. This has included provision for annual HRA subsidy paid by central Government to local housing authorities, as determined by the Secretary of State.
- 19.2 The housing finance provisions of the Localism Act, amended Part VI of the 1989 Act by abolishing HRA subsidy but providing for the Secretary of State to make a determination providing for the calculation of a settlement payment to or from each local housing authority. This settlement and its implications for the self-financing HRA have informed the HRA Business Plan.

20.0 HUMAN RESOURCES IMPLICATIONS

- 20.1 Sheffield Homes staff all TUPE transfer into the City Council on 1st April 2013.
- 20.2 The majority of staff will be placed within the Communities portfolio with a smaller number in Resources.

21.0 ENVIRONMENTAL & SUSTAINABILITY IMPLICATIONS

- 21.1 Any environmental and sustainability issues arising from the Council Housing Investment programme within this report will be dealt with the Capital Programme report to Cabinet in February 2013.

22.0 EQUALITY OF OPPORTUNITY IMPLICATIONS

- 22.1 Consideration has been given to equalities relating to the HRA budget and business plan options and a full Equalities Impact Assessment (EIA) has been completed. Issues raised will be addressed through regular monitoring against actions in the EIA.
- 22.2 The Capital Programme report to Cabinet on 13th February 2013 will deal with any equalities considerations relating to the Council Housing Investment programme.
- 22.3 Any in-year proposed change in policy or service provision will require an individual Equality Impact Assessment.

23.0 PROPERTY IMPLICATIONS

- 23.1 There are no additional property implications for the Council arising from the recommendations in this report.

24.0 ALTERNATIVE OPTIONS CONSIDERED

- 24.1 To increase rents for Council dwellings by less than the government formula – The self financing settlement from Government assumed the Council's rent increases are in line with the Government formula. If the Council does not increase rents by this amount this would mean pound for pound savings would need to be found to offset the income shortfall. We would then have to live within this reduced resource envelop for every subsequent year or until the council raised rents by above guideline.
- 24.2 Not to undertake a council housing new build programme - the change to the Government's Right to Buy policy means that if the council is to retain any additional receipts raised by the increased sales discounts now available to tenants, the receipt must be used as a contribution to new affordable housing. The alternative of using these receipts for a new build programme would be to pass the receipts to another registered provider such as a housing association who could then provide the affordable housing. However this would be unlikely to result in homes at social rent.

25.0 REASONS FOR RECOMMENDATIONS

- 25.1 To maximise the financial resources to deliver outcomes on key services in the context of the new national council housing finance regime.
- 25.2 To contribute to making neighbourhoods a great place to live by ensuring continued investment into Sheffield's council housing.
- 25.3 To continue to plan for the long term sustainability of services whilst taking every opportunity to introduce service improvements.

26.0 RECOMMENDATIONS

- 26.1 It is recommended that:
- The HRA Business Plan update report for 2013/14 is approved
 - The HRA Revenue Budget for 2013/14 as set out in Appendix B to this report is approved
 - Rents from Council dwellings are increased by an average of 4.8% from April 2013
 - Annual rents for garages and garage sites are increased by an average of 4.8% from April 2013
 - Community heating charges increase by 5% in 2013/14
 - The Director of Commissioning, Communities in consultation with the Cabinet Member for Homes and Neighbourhoods, be

granted delegated authority to increase the sheltered housing service charge in the event of the City Wide Care Alarms charge being increased in 2013/14

- Charges for furnished accommodation, interim accommodation, and burglar alarms are not increased
- The Director of Commissioning, Communities and the Director of Finance, in consultation with the Cabinet Member for Homes and Neighbourhoods, be granted delegated authority to authorise prudential borrowing as allowed under current government guidelines.

Richard Webb, Executive Director - Communities Portfolio
Simon Green, Executive Director – Place Portfolio
Laraine Manley, Executive Director - Resources Portfolio,

**The Sheffield City Council Housing Revenue Account (HRA)
Business Plan 2012/17 update report for 2013/14**
(Please see separate document)

Year	2012/13 (Forecast outturn as at October 2012)	2013/14	2014/15	2015/16	2016/17	2017/18	Total 2013/14 to 2017/18
	£m	£m	£m	£m	£m	£m	£m
Income							
INCOME TOTAL	-142.2	-147.4	-153.9	-161.1	-166.0	-170.9	-799.3
Income from rents	-136.0	-141.4	-147.9	-155.0	-159.8	-164.5	-768.6
Other income	-6.2	-6.0	-6.0	-6.1	-6.2	-6.4	-30.7
Expenditure							
Homes – revenue repairs	32.7	33.1	33.1	33.9	34.8	35.4	170.3
Homes – funding for Capital programme – depreciation	36.4	37.1	38.0	38.9	39.9	40.9	194.8
Tenant services (including overheads/support costs)	49.9	51.3	50.8	51.8	52.8	54.3	261.0
Interest on debt	15.7	17.6	17.3	17.5	17.8	18.1	88.3
Other expenditure	0.8	1.0	2.7	2.1	2.2	3.4	11.4
Total	135.5	140.1	141.9	144.2	147.5	152.1	725.8
Surplus (-) or Deficit	-6.7	-7.3	-12.0	-16.9	-18.5	-18.8	-73.5
Opening revenue reserve							
Opening revenue reserve	-11.7	-25.5	-10.0	-10.0	-10.0	-10.0	
Surplus (-) or Deficit	-6.7	-7.3	-12.0	-16.9	-18.5	-18.8	
Contribution to the Capital Programme	0.4	22.8	12.0	16.9	18.5	18.8	
Sheffield Homes Reserve	-7.5	0.0	0.0	0.0	0.0	0.0	
Closing revenue reserve	-25.5	-10.0	-10.0	-10.0	-10.0	-10.0	

City Wide average weekly rent by bedsize

Bedsize	Average weekly rent 2012/13 £	Average weekly rent 2013/14 £	Increase £
Bedsit	57.34	60.09	2.75
1 bed	60.02	62.90	2.88
2 bed	67.18	70.40	3.22
3 bed	75.37	78.99	3.62
4 bed	81.54	85.45	3.91
Total (all bedrooms average)	67.19	70.42	3.23

Note: The above rents are for illustrative purposes only as they are based on city wide averages. Actual individual property rents will vary from these figures.

Proposed Community Heating Charges from April 2013

Bedsize	Full heating		Partial heating	
	Current Prices £/week	Prices April 2013 £/week	Current Prices £/week	Prices April 2013 £/week
Unmetered heat*				
Heating & hot water				
Bedsit	10.52	11.05	9.72	10.21
1 Bedroom	10.92	11.47	10.00	10.50
2 Bedroom	13.55	14.23	12.59	13.22
3/4 Bedroom	14.59	15.32	13.55	14.23
Heating only				
Bedsit	7.74	8.13	7.17	7.53
1 Bedroom	7.93	8.33	7.17	N/A
2 Bedroom	10.00	10.50	9.72	10.21
Metered heat				
Leverton/ Hanover/ Netherthorpe	Ticket price	£ per 100kwh	4.05	4.25
	Standing charge	£ per week	3.40	3.57
Hillside	Ticket price	£ per 100kwh	2.80	2.95
	Standing charge	£ per week	2.90	3.05
Balfour House	Ticket price	£ per 100kwh	3.15	3.30
	Standing charge	£ per week	4.29	4.50

*Note: For sheltered schemes the above prices are split into dwelling heating and communal heating. The communal element of charges will increase from £2.80 to £2.94 per dwelling per week

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