

# Sheffield City Council Housing Revenue Account Business Plan 2020-2021

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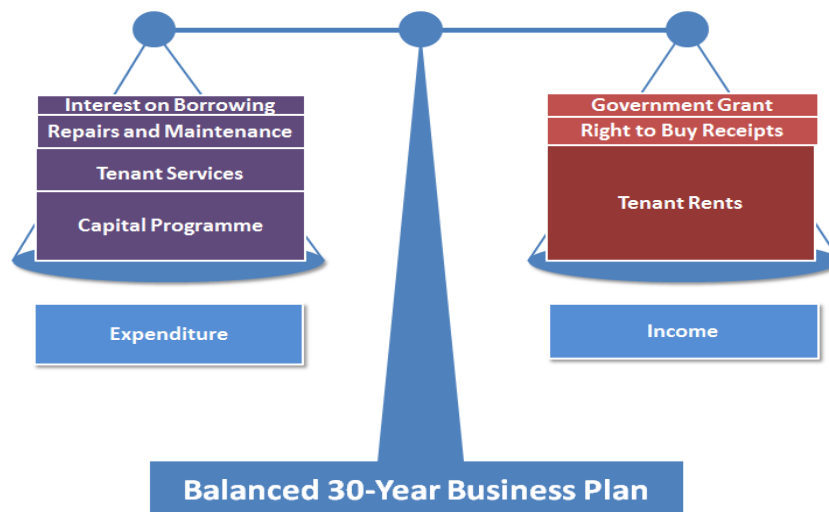
# Introduction

The Housing Revenue Account (HRA) is the financial account used to manage our landlord activities. It is ring-fenced in law and can only be used for providing services to council housing tenants through the collection of rent and charges. Other council services are funded through council tax and central government support which benefit all citizens of Sheffield regardless of tenure.

## The Business Plan

The HRA Business Plan sets out our income and expenditure plans for delivering council housing services in Sheffield. It sets out our key council housing priorities for the coming years, showing how we intend to develop our services to tenants.

Each year the HRA Business Plan is reviewed and updated to set budgets and charges for the year ahead. It also provides an updated 5-year plan for our capital investment programme. These plans are set within the context of a 30-year affordability profile – our long-term planning horizon for balancing the HRA. HRA income predominately comes from tenant rents, with other income received from Right to Buy receipts and government grant. HRA expenditure includes the capital investment programme, tenant services, repairs and maintenance with a small amount spent each year on paying off interest on our borrowing.



The HRA Business Plan has had to face a number of financial challenges over the last few years which have had a significant impact on the plan. Although Government have provided some clarity on future rent policy, this will not mitigate the financial loss to the business plan from enforced rent reduction over the last few years.

Uncertainty still remains mainly due to the unknown impacts of Brexit and future Government policy as well as the full effects of Welfare Reform and the demands on social landlords post Grenfell. We will therefore continue with our drive to realise savings in 2020/21 to help mitigate these financial pressures.

Despite this uncertainty and the pressures and challenges that continue to emerge, we remain committed to our key priorities. This includes further increasing the number and type of new and additional council homes in Sheffield as well as continuing to invest in our existing homes and neighbourhoods.

# National Policy Context

The HRA operates within a political environment therefore any changes in national housing policy can have a significant impact on our HRA Business Plan. Potential national policy impacts are factored into the Business Plan each year and captured in the plan's risk register. This section considers the key policies that we expect to have an impact on our Business Plan.

## National Rent Policy

The Welfare Reform and Work Act 2016 included a statutory obligation on registered providers of social housing to reduce their rents by 1% per year, irrespective of inflation, for four years. As a result of this policy, the HRA in Sheffield has lost 13% of its income over the life of the plan which has had a significant impact on the Business Plan. The four year period ends on 31 March 2020. The Regulator of Social Housing's Rent Standard makes provision for an annual increase in social housing (including local authority) rents of CPI +1% with effect from 6 April 2020.

We recognise that a return to a CPI + 1% rent increase each year will mean tenants having to pay more to rent their homes from the Council. However this increased Business Plan income is vital if we are to maintain services to tenants and develop more social housing to address the needs of local people. The return to a rent increase will not mitigate the losses of the past five years and means that we are now setting rents at a lower baseline than we otherwise would have been. Previous government Guidance on Social Rents policy of CPI + 1% was intended to apply for 10 years from 2015 but only lasted a year before the statutory decrease came in. There is a risk that this future rent policy may change again.

## HRA Borrowing Cap

In October 2018 the Government issued a Determination lifting the HRA debt cap. This provides us with more freedom and flexibility to undertake additional borrowing subject to the principles of the Prudential Code for Capital Finance in Local Authorities of affordability, sustainability and prudence. Primarily this borrowing freedom will help us in our commitment to deliver more affordable housing in the city. We are proud to say we have been one of the few local authorities to work directly with the Government over a number of years on the opportunities that could be created by lifting the HRA borrowing cap. However, we can only use this flexibility to finance activities that generate sufficient income for the HRA to offset the required upfront capital and management costs associated with the investment within the HRA business planning horizon. Using the borrowing capacity in any other way will bring additional financial risk to the HRA Business Plan. As part of our stock increase programme, and the New Homes Delivery Plan we will continue to assess our options in terms of land availability, land purchase and our disposals strategy as well as investigating other opportunities to deliver more affordable housing in the areas where we have significant gaps in affordable housing provision in the city.

## Welfare Reform

Welfare Reform represents the biggest change to the benefits system in a generation. Supporting our tenants through Welfare Reform and in particular the transition to Universal Credit continues to be a key priority. The roll out of Universal Credit commenced in Sheffield in November 2018 for new benefit claimants. Migration of existing claimants in Sheffield is expected to take place between 2020 and 2023. Revisions to our forecast on rent arrears as a result of Universal Credit are showing as lower than initially thought. Provisions remain in place to help and support our tenants who are transitioning to Universal Credit and hopefully this will help to reduce our rental arrears further as a result of Universal Credit. We will continue to review and monitor this throughout 2020/21.

## Build a Safer Future: Independent Review of Building Regulations

The independent review of building regulations and fire safety (The Hackitt Report) was published in 2018. The report's findings were that "*the current system of building regulations and fire safety is not fit for purpose and that a culture change is required to support the delivery of buildings that are safe, both now and in the future.*" The Hackitt report set out over 50 recommendations for the delivery of a robust regulatory system. The government carried out a consultation, "Building a Safer Future", on its proposals in response to these recommendations in June/July 2019 and we responded to it. The outcome of the consultation and any resulting legislative proposals or prospective timetable is not yet known.

We will take a pro-active approach to ensure we comply with any resultant legislative requirements to the way we manage and maintain our council housing homes but initial assessment of the challenge indicates that financial support is needed from Government and we will be making a case for this with Government. Investment in sprinklers, fire alarms, fire doors, combined with a robust regime of managing schemes / inspections will cost an estimated £40m and without grant support may require priorities in the investment plan to be revisited. We have now completed the recladding works on Hanover tower block with active support from the community and we are also currently undertaking some best practice work with Government to improve tenant and resident involvement and to ensure people know what to do if a fire occurs.

## A New Deal for Council Housing (Government Green Paper)

In August 2018, the Government issued for consultation a Green Paper, A New Deal for Council Housing, proposing fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it. The paper set out five principles which would underpin a new, fairer deal for social housing residents:

- Ensuring homes are safe and decent
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership

Our response to the Government's proposals reflected the views of our tenants. It supported some of the proposals, but also offered a note of caution as to the potential effectiveness of others. Since submitting our response alongside thousands of responses from other local authorities, housing providers and individuals, there has been little update from Government. We will continue to monitor for any future developments arising from the paper throughout 2020/21.

# Local Policy Context

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

## The Corporate Plan and Wider Council Plans

Sheffield City Council's Corporate Plan aims to capture the long term ambitions for Sheffield. The Corporate Plan is currently being reviewed, however the HRA Business Plan will continue to help support the Corporate Plan and feed into the key priorities for the Council. As well as the overall corporate plan, the HRA Business Plan will also help to support a range of other related strategies such as:

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

An affordable housing policy statement will be presented to Cabinet in 2020. It will set out the city's ambitions for affordable housing and how the Council will use its own resources and work with the private sector to ensure that this is delivered. The HRA Business Plan will support and inform these ambitions and those formulated in wider relevant Council strategies and policies.

We also recognise the impact that housing can have in addressing the climate change emergency. Sheffield has set an ambition to become a zero carbon city by 2030. This will require changes in the way that we manage our existing housing stock, cost and policy implications and our plans for investing in new council homes.

# HRA Business Plan Future Sustainability

Across the country in recent years, challenging market conditions and national government policies and priorities for housing have stifled the delivery of affordable housing. In Sheffield, the number of new affordable homes delivered has not matched the levels needed to meet the increasing demand. The incomes of many in the city fall well short of the money needed to be able to afford many rented homes. There is a lack of choice in the type of Council homes available for those trying to access Council Housing as a result of Right to Buy and this is increasingly affecting the sustainability of the HRA Business Plan.

Since 1980, Sheffield has lost well over 32,000 council homes (particularly houses) due to Right to Buy. The result is that the mix of homes we have within our council housing stock has significantly changed. The ratio of houses to flats was previously much higher. This has a significant impact on the HRA Business Plan. Aside from the reduction in rental income as homes are sold (in addition to the statutory rent reduction imposed by the Welfare Reform and Work Act 2016) there is an impact on management and maintenance costs, which are much higher for flats than for houses. Each year it becomes harder to make the savings necessary to avoid this having an impact on our ability to invest in Council Housing stock, meet housing demand and manage the estates.

The successful management of flats also comes with additional responsibilities in the post-Grenfell era. We have always taken fire safety seriously and have pro-actively reviewed our stock and our approaches following the tragic events in 2017. We have undertaken remedial works where required and look forward to the implementation of any of the Hackitt review recommendations. We will need to factor the costs of these recommendations into our business plan forecasts once they become clear. This is clearly a significant, but necessary, further challenge to the sustainability of the HRA Business Plan.

The impact of Right to Buy is also having a lasting impact in our neighbourhoods. Council houses on many of our estates have now been sold. Often these properties end up on the private rented market and are not managed and maintained effectively. We are therefore experiencing increased demand for a wide variety of services in neighbourhoods which go beyond traditional council housing management. This is creating additional cost pressures. We need to review how this demand is managed and costed as part of our plans for neighbourhood management in the future. We will also continue to challenge Government on the wider impact Right to Buy creates.

Alongside all of this, we are experiencing an increased demand for more specialist housing provision. We recognise that our tenants have a variety of needs and aspirations and access services from across the City Council. We want to make that experience as seamless as possible and are keen to explore how we tailor our housing services to meet the more specialist needs of our tenants, delivering these in partnership with colleagues across the council.



# Housing and Neighbourhoods Service

In Sheffield we are passionate about people and the places they live and as a Council we want to do our best to make a positive difference. Our service vision provides the framework for all the activity undertaken within the Housing and Neighbourhoods Service. Our key themes and ambitions are:



As a landlord we want our tenancies to be sustainable and successful, and have a positive impact on people's lives. We know that in the current climate this requires us to be creative and flexible. We recognise that our customers have different needs and aspirations and if we are to achieve our ambitions it is important that we are able to deliver accommodation and services that reflect this.

The HRA Business Plan focuses on the council housing aspects that will feed in and contribute to this wider housing vision. We will continue to work with tenants and leaseholders on amending existing policies or introducing new policies during the year that could improve services. Any proposed changes to the housing policy framework will be the subject of separate executive decisions.

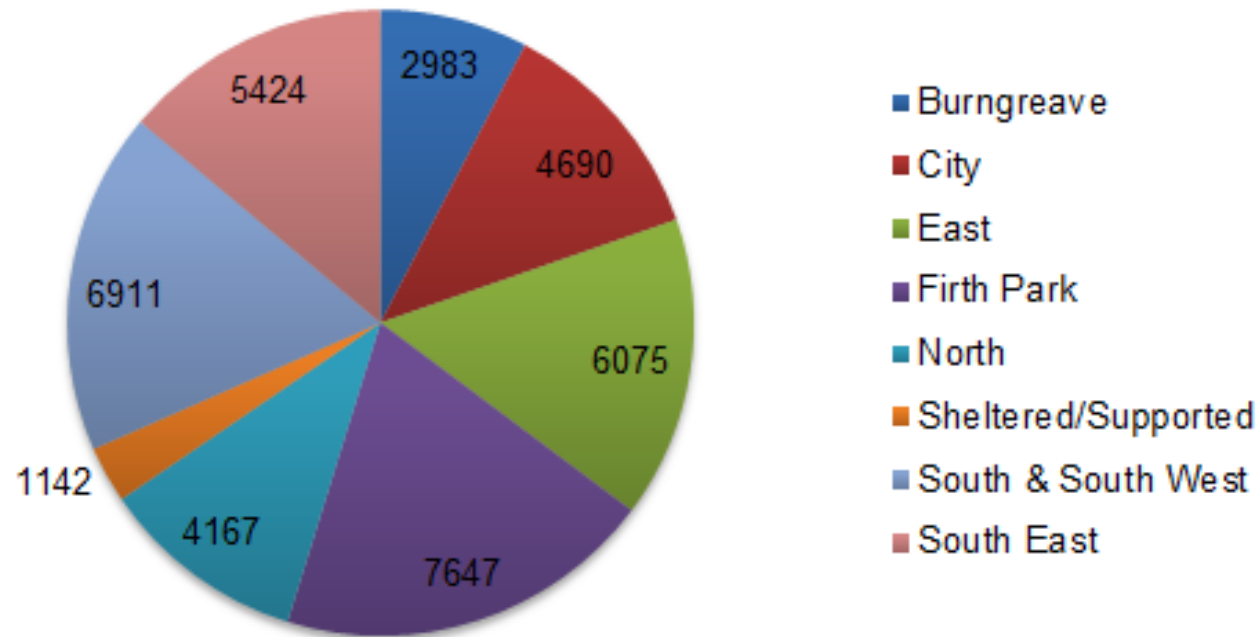
# Our Housing Profile



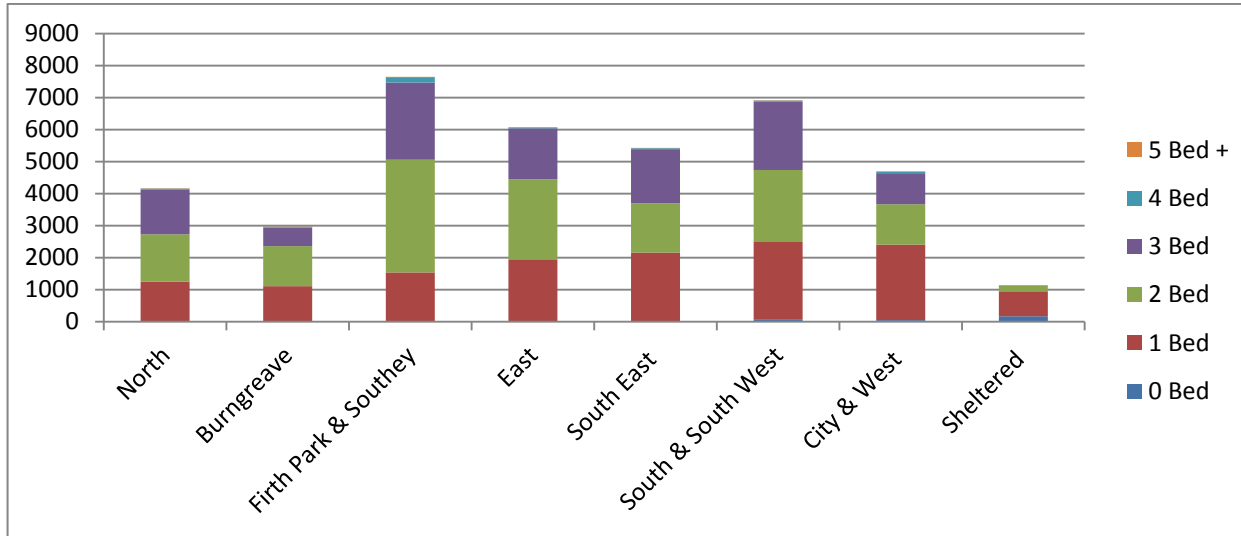
(as of October 2019)

## Council stock by housing neighbourhood area

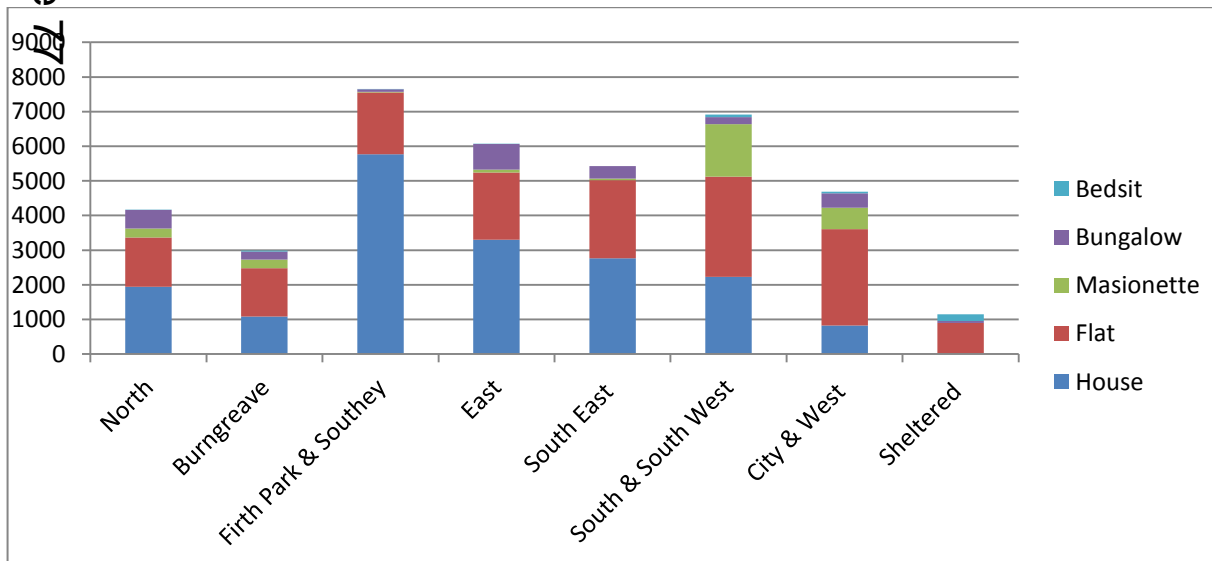
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## Bedroom numbers by neighbourhood area



## Building type by neighbourhood area



# SHEFFIELD 100 COUNCIL HOUSING

## Celebrating 100 years of council housing in Sheffield

The landmark event that saw large scale council estates spring up across Sheffield was the introduction of the 1919 Addison Act which enabled local authorities to develop new high quality housing for working people. Sheffield has celebrated this occasion by hosting a number of events and activities including:-

- Tenant Focus Groups – provided the opportunity for tenants to share their memories and stories of living in council housing
- Centenarian Tenant Celebration with the Lord Mayor
- Celebration Event – our major celebration event held at the Town Hall, showcasing photographs, memorabilia, an interactive quiz and videos
- Party in the Parks – 3 Party in the Parks (Oxley Park, Stocksbridge, Parson Cross Park and Herdings Park) held in September. This was an opportunity for tenants to come together and celebrate the centenary.

**Thank you to all the tenants (past and present) who sent in their photographs and memories which helped us put together the events and exhibition and to Picture Sheffield for their support and contributions used for the events and exhibitions. To view a collection of centenary housing photographs you can visit <http://www.picturesheffield.com/>**



# HRA Business Plan Priorities

The HRA Business Plan 2020/21 will help to contribute to achieving the ambitions of the Housing and Neighbourhoods Service. The following chapter details our key council housing business plan priorities for 2020/21 and how these contribute to the service ambitions.

## Key Headlines 2020/21

Build & Acquire More Council Homes



Develop A Pre-Tenancy Support Package



Prioritise Fire Safety & Regulation



Review the Cost and Performance of Services provided to the HRA



Broaden Tenant Engagement



Charged Gardening Scheme



Environmental Improvements



Review of Housing Offices and Community Buildings



Transforming Customer Access



## Build & Acquire More Council Homes



As part of last year's plan we committed to delivering 1,600 new council homes by 2023/24 and this year our approach is to take that one step further. For 2020/21 the plan is to increase this number by an additional 1,500, making a total of 3,100 council homes to be delivered over the next 10 years. We will need to continue to develop our future plans and will need to consider how we do this based on what types of housing provision are needed and in what areas.

The next chapter will provide further details of our stock increase programme and our ambitious plans over the next 10 years.

## Prioritise Fire Safety & Regulation



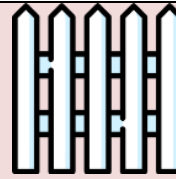
Fire safety remains a key investment priority and work will continue in 2020/21 to implement our scheme of fire safety improvements on tower blocks and to ensure every block of flats has an update fire risk assessment and required work is actioned. We are also undertaking some best practice work with Government to improve resident involvement and make sure people know what to do if a fire occurs. We want to ensure that our tenants are safe and that their homes continue to comply with relevant legislation.

## Broaden Tenant Engagement



We are committed to effective engagement with all our customers and the aim of our refreshed approach to engagement is to help deliver a more connected and inclusive framework for engaging with a broader range of our tenants. Work has been taking place in 2019/20 to review how tenants currently engage with us and how they would like us to engage with them in the future. This has included a tenant survey (with over 400 responses) and the establishment of an Engagement and Involvement Strategy Task and Finish Group. An independent review of how we do engagement and how we could improve has also been undertaken by TPAS (Tenant Participation Advisory Service) - the national experts in tenant engagement. This work will continue into 2020/21 with the aim of developing a new Engagement Strategy and implementing an action plan to deliver the commitments made in that Strategy.

## Environmental Improvements



We recognise that many estates have not had significant investment in hard landscape environment. This can have a detrimental impact on creating attractive homes and neighbourhoods that feel safe. During 2020/21 we will develop and consult on a plan for environmental improvements such as work to paths, boundaries, roads and communal spaces.

## Transforming Customer Access



We want to review access to our services to ensure that they meet the changing needs of customers and the business. In 2019/20 we have been finding out how our customers access our services, what the main issues are and how to improve this – talking extensively to tenants and residents along the way. We also want to exploit opportunities for improvement with other council teams and external agencies as we know better partnership working can bring many benefits.

Continuing to support digital access remains a key priority as it brings great opportunities, but we understand that it will never meet the needs of all our tenants so will balance our approach between technology and personal contact. We are continuing to work in partnership with the Heeley Trust to deliver a range of digital inclusion sessions for tenants to help improve online skills and reduce social isolation. We have also helped to train a number of TARA Digital Champions who can now help tenants in their local area to understand the benefits of using the internet and show them how to do simple things online that can make a huge difference to their lives.

## Develop Pre-Tenancy Support



We want to support all our tenants to manage their tenancies effectively. We also want to give tenants the best start possible in their tenancy, so will be introducing changes to the way we support new tenants to ensure that this meets their needs. We recognise that this is a particular challenge for young people starting out for the first time in a new home so will be exploring what more we can do for this particular group.

## Review the Cost and Performance of Services provided to the HRA



We don't deliver our services in isolation and work with services across the Council to share costs and resources. We review these service level agreements and recharges annually and will review these again in 2020 to ensure that they remain value for money.

## Gardening Scheme



Gardens have an important part to play in the overall look, tenant's satisfaction and general reputation of an estate. The condition of a garden can result in the refusal of an offer a tenancy. We often set new tenants a difficult task, not only to manage the moving process, but also to deal with an untidy garden. During 2019/20 we have been working up proposals to implement a charged gardening scheme for tenants who would like some additional support maintaining their garden. Consultation has taken place in 2019, and we will be working through the feedback which will help to inform the final proposals which we aim to implement in 2020.

## Review of Housing Offices and Community Buildings



Housing+, new technology and a changing customer service offer all have the potential to impact on our current accommodation needs. We will review our costs and portfolio over the next 12 months to ensure that it still meets our needs and delivers value for our tenants and our business. A review of our community buildings is also taking place to help ensure best use of these facilities and explore other community provisions within local areas.



# Investment Programme

The aim of the investment programme is to maintain the Council's housing stock for the future. Our 5 year investment programme will continue to prioritise and deliver improvements to people's homes (kitchens, bathrooms, windows, doors, roofs, boilers, communal areas etc.) to make sure homes continue to be well maintained.

## 5 Year Investment Programme

Capital investment in our existing housing stock is our biggest cost within the Business Plan. Right to Buy is continually reducing our housing stock and we need to invest in providing new homes for rent and for shared ownership. Investing in the physical infrastructure of our stock and making sure our homes remain safe, modern and warm will remain our main priority for 2020/21.

A key investment priority is to make sure our existing stock continues to be well maintained. Many of the estates are in need of investment which we are prioritising through planned investment programmes and by reviewing our stock information that underpins the 30 year Housing Investment Plan. We are working closely with tenants to prioritise the mainstream capital programme to plan and deliver improvement works that will ensure long-term tenant satisfaction and neighbourhood sustainability. We welcome the opportunity to work with Government on new standards and need to make sure that the HRA Investment Programme is balanced between the old stock and replacement of this and the new homes.

Our key investment programme commitments for 2020/21 include:-

| Investment in...                              | Progress so far and plans for 2020/21  |
|---|--|
| <b>Roofs</b>                                  | The final roofs have now been completed on the 2015-19 pitched roofing programme, over 13000 homes have had work. We will now be inviting tenders for a new roofing contract which will consist of a further 5,800 properties. This five year programme will commence in 2020/21.  |
| <b>Kitchens, Bathrooms, Windows and Doors</b> | By March 2020 we aim to have replaced the majority of kitchens, bathrooms, windows and doors that still required renewing at the end of the Decent Homes Programme. Some tenants have refused this work so these properties will be completed either when they become vacant or be included as part of a future works programme post 2020. |

|   |  |
|---|--|
| <b>Electrical Upgrade</b>                 | Two contracts have been procured and a 4-year programme is progressing well. This will ensure that electrics are maintained in-line with the latest safety requirements and also bring homes up to a standard fit for the future.  |
| <b>Fire Safety and Communal Area Work</b> | The refurbishment of communal areas to 12,000 low rise flats completed in March 2019. Plans are now being developed for tower block fire safety works that will include some communal area improvements and new waste facilities.  |
| <b>Energy Efficiency Work</b>             | External wall insulation work to non-traditional properties commenced in October 2018. Two further phases of work have been agreed but require detailed designs and procurement. The next phase is planned to commence during 2020. We will continue to replace old heating systems and develop a plan for alternative to gas heat in homes. |
| <b>Garage Strategy</b>                    | Garage improvement work has started on site and 900 garages have had improvements. This work will complete in 2020. A new demolition contract will be procured in 2020 which will bring to a conclusion the garage strategy project.   |
| <b>Environmental Improvements</b>         | During 2020/21 work will complete to develop and consult on a plan for environmental improvements and improvements to maisonette blocks to enhance the sustainability of our estates.  |

Training and recruiting locally is an important priority as part of our investment plan. Since 2015 we have recruited 115 apprentices to work across the Housing and Neighbourhoods Service. Over the last 5 years, we have also been able to employ locally through our contractors and expect this to continue over the next 5 years

The updated 5-year investment programme can be found in appendix B

# Stock Increase Programme

Our commitment to increasing the number of new / replacement council homes remains a high priority. Last year's HRA Business Plan committed to delivering an additional 1,600 council homes by the end of 2023/24.

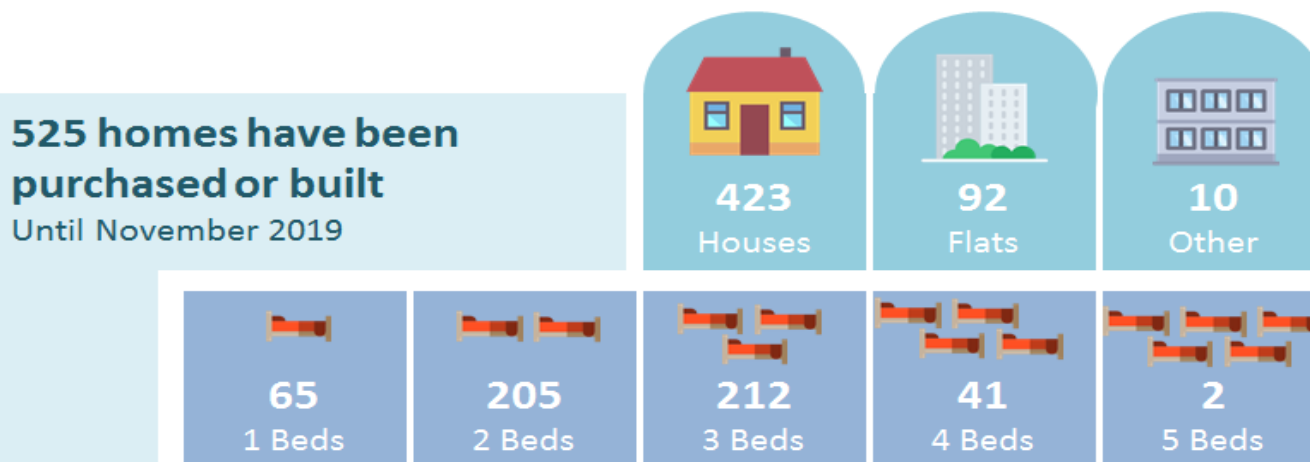
The lifting of the debt cap has provided us with more freedom and flexibility to undertake additional borrowing. This additional borrowing will help us in delivering more council housing within the city. As a result, in October 2019 the Cabinet Member for Neighbourhoods and Community Safety made a decision on "[Principles for Increasing the Council's Stock Increase Programme](#)" which included approval of the principle of increasing delivery by an additional 1,500 new homes. This takes the total number of new homes to 3,100 which are to be delivered over the next 10 years.

The additional council homes will include a greater range of homes to meet the significant shortfall of some types of homes that the Council has available for letting. This will include:

- New Extra Care Housing (Older Persons Independent Living with Care)
- Homes for Younger People
- Family Accommodation
- Accommodation for specific needs including learning disabilities schemes
- New Interim Temporary, Supported Housing Accommodation

We will continue to explore a range of different delivery options in order to maximise the number of new council homes we are able to provide. Options include building on the Council's housing land (held for the purposes of Part II of the Housing Act 1985 and accounted for in the HRA), acquiring homes for sale, purchasing "off plan" from private sector developers, acquiring properties from private developers, and acquiring land for the purpose of building new Council Homes.

## SHEFFIELD CITY COUNCIL STOCK INCREASE PROGRAMME



## Repairs

In April 2017 the Repairs and Maintenance Service transferred back into Sheffield City Council following a period of 15 years outsourcing to Kier. The service is responsible for the repairs and upkeep of the Council's housing stock as well as the many other corporate buildings belonging to the Council. During 2018/19 and 2019/20 a review of the operating model of the Housing Repairs and Maintenance Service was carried out to identify operational and service improvements that can be made to the repairs service. In the Spring 2020 work will commence to implement a new service operating model. It is anticipated this reshaping will take at least 12 months to complete. The new service model will deliver financial benefits to the HRA to be reinvested into HRA services.

Our financial plan shows how we will fund our council housing investment priorities and day-to-day council housing services. The financial plan is based on a number of key assumptions to help us mitigate risks or changes that may occur in the coming year. All of these assumptions are reviewed and refreshed each year to reflect the changing economic environment in which the business plan operates.

## Key Financial Assumptions 2020/21

### Rents

Dwelling rents for 2020/21 including temporary accommodation are to increase by 2.7% from April 2020 in line with the Regulator of Social Housing's Rent Standard. This is equivalent to an average increase of £1.98 per week. This is the first increase to social housing rents since 2015, following four years of rent reductions as set out in the Welfare Reform Act 2016. Appendix C to the HRA Business Plan 2020-2021 report sets out the average rents per house size in Sheffield.

The Council continues to have a small but increasing number of properties that are let at an Affordable Rent (up to 80% of market rent). These are predominately new build properties and properties acquired as part of the stock increase programme. The annual rent increase applies to all social housing rents so properties let at an Affordable Rent will also see an increase in rent for 2020/21.

Vacant properties will continue to be re-let at the 'target' (formula) rent in order to continue the process of making council rents equitable over time following the ending of the national 'rent convergence' policy by Government one year early. Target rents will also increase by CPI + 1% from April 2020.

The HRA Business Plan 2020/21 continues to assume a rent increase of CPI +1% from 2021/22 – 2025/26. From 2026/27, there is an assumed annual rent increase of CPI + 0.5%. City wide average weekly rents by bed size can be found at appendix C.

### Garages

Garage rents for garage plots and garage sites will be increased by 2.7% from April 2020 in line with dwelling rent increases, for those garage tenants that have seen improvements. Garage rents for garage plots and sites will not be increased for garages that have not yet received improvements. The increase will be applied to individual units once garage improvement work has been completed.

## Community Heating

The community heating standing charge and kWh charge will remain unchanged for 2020/21.

The Council's heat metering scheme which began in 2014 has proven to be very successful. Since the introduction of smart meters, our customers are now saving around 43% on their heating bills compared to their previous unmetered supply. The system also provides us with comprehensive data about how each home is using their heating and gives us the ability to support and advise tenants who might be worrying about switching on their heating. This is enabling us to support individuals more and intervene earlier where required. Feedback from our customers has been very good and the overall infrastructure is operating very effectively, particularly relating to the options we have been able to offer customers and the reliability of systems.

A full breakdown of all community heating service charges is set out in appendix C.

## Burglar Alarms

The burglar alarm charge from April 2020 will reduce from £1.61 per week to £1.25 per week (a weekly reduction of £0.36). This reduction reflects revised costs as a result in a change in provider for the installation and maintenance of burglar alarms.

## Sheltered Housing

The sheltered housing service charge will remain unchanged for 2020/21.

## Furnished Accommodation

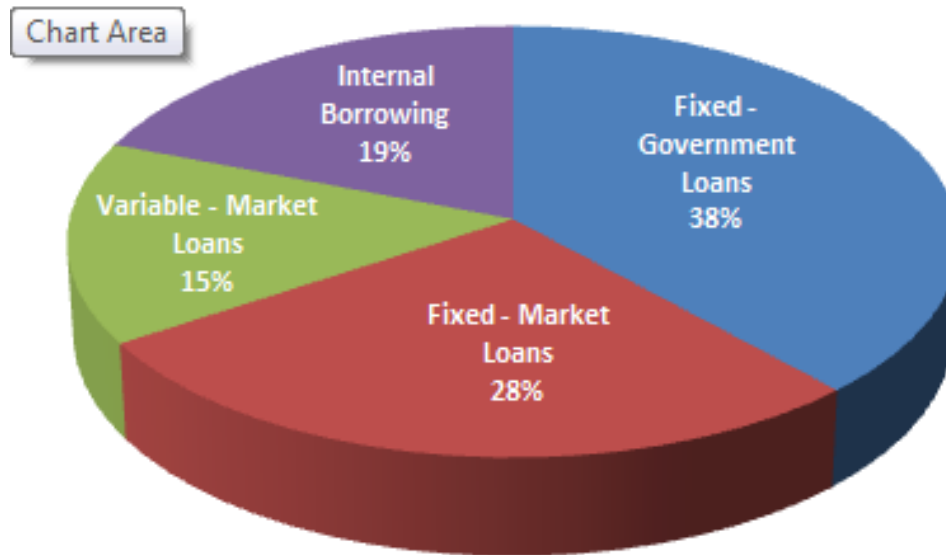
The furnished accommodation charge will remain unchanged for 2020/21.

## Revenue Assumptions

The detailed financial model behind the HRA Business Plan includes a number of 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 in 2020/21                      | 39,033     |
| Estimated number of additional homes by 2049/50         | 2,519      |
| Estimated number of RTBs 2020/21 to 2049/50             | 7,600      |
| Estimated number of homes by 2049/50                    | 33,952     |
| Average rent in 2020/21 (50 week rent)                  | £75.30     |
| Consumer Prices Index (CPI) of inflation September 2019 | 1.7%       |
| Void rate   | 1.5%       |
| HRA risk based reserve 2020/21                          | £5.6m      |

| Debt Assumptions                                  | Assumption  |
|---|---|
| Opening HRA Borrowing requirement on 1 April 2020 | £347m   |
| HRA borrowing                                     | No additional borrowing expected for 2020/21<br><br>Additional borrowing assumed from 2022/23 |



The overall proportion of the HRA's loan portfolio that is subject to interest risk is 34% (internal borrowing and variable loans).

## Borrowing Strategy

The HRA is required to borrow in order to realise its investment and service delivery programme. The question of when we borrow, and at what rate, is closely managed by active treasury management throughout the year.

The key considerations that shape these decisions are:

- The interest rate environment
- The HRA's cash requirements for investment and debt management
- Affordability in the context of the overall 30 year HRA Business Plan

All of these complex interrelationships within the HRA business plan mean that forecasting long-term demand for services and resultant financial viability is difficult and subject to change. Demand for services is increasing and whilst the Council does have more freedom to borrow, this does have to be affordable and prudent. It also means that, on occasions, there will be choices to make in order to balance resources against demands. In short, we might not be able to do everything we or tenants would like at the time we would like to.



Since 2012 the HRA has operated on a 'self-financing' basis with local authorities funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also brought additional risk. Risks are collated and monitored via a risk register and are primarily concerned with threats to income and expenditure that would compromise the viability of the HRA Business Plan. These risks are reviewed and regularly updated. The key risks for 2020/21 are:

## Welfare Reform and Universal Credit

The impacts of Welfare Reform on the HRA Business Plan are significant with the number and value of rent arrears expected to increase considerably. As a result of this, it is likely significant additional resources will be required in order to deal with debt recovery and additional support to help our tenants. A number of mitigations are already in place to help support tenants affected by Welfare Reform such as debt advice, Hardship Fund payments and Discretionary Housing Payments and a new IT system has been introduced to manage debt recovery more efficiently. As well as helping to reduce arrears, these mitigations are also helping tenants to sustain their tenancies. The slowdown in the roll out of Universal Credit announced in October 2018 will extend the period of uncertainty about the impact. We recognise that many households who have been managing welfare reform changes in the short-term may be unable to sustain payment patterns as the squeeze continues. This may require us to revise our future income projections as our experience with Universal Credit develops.

## Impacts of National Housing Policies

Very little progress has been made on the proposals in the Green Paper so far as the Government's focus has been concentrated elsewhere. The impact of a number of national policy changes, such as Welfare Reform, funding for temporary accommodation, Brexit and changes proposed in the Green Paper may require additional staff to deal with short term demand.

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

The Grenfell Tower fire and subsequent Review of Building Regulation and Fire Safety bring a number of operational and financial risks. Costs are currently unclear but will require some degree of re-prioritisation of the 30 year Business Plan. There are likely to be other impacts as result such as impacts on the repairs budget due to additional work to communal areas; the market capacity/capability to respond to the scale of need nationally and possible inflation of costs; more intensive management of tower blocks and other high risk buildings may be required at a higher cost and further resilience within investment teams to respond to the volume and breadth of enquiries. We will continue to monitor any further developments in 2020/21 and have produced action plan to help mitigate the potential impacts.

## Interest Rate Risk

The HRA's loan portfolio is made up of both fixed and variable loans, some of which will be exposed to interest rate changes. Although this is a risk to the Business Plan, part of the role of treasury management is to manage the HRA's exposure to interest rate fluctuation and the risk this brings. However, it is also important to retain a degree of flexibility to take advantage of borrowing at low interest levels should opportunities arise. The Government's surprise announcement in October 2019 to increase the Public Works Loan Board (PWLB) loan rate by 1% will limit our ability to provide a the number of new homes through this route.

## Inflation Rate Risk

The HRA Business Plan assumes an ongoing inflation rate which has been factored into the 30-year Business Plan. If the assumed inflation rate was to change then this will have an impact upon the forecasted income into the HRA over the 30 years; if the assumed inflation rate was to be exceeded then this may have a negative impact upon revenue expenditure and the capital programme costs.

## Repairs and Maintenance

Repairs and Maintenance risks which could impact on demand include, increased vacants, increased turnover due to Welfare Reforms, stock deterioration rates, changes in regulations post Grenfell and the settling in and transformation of the service following in-sourcing. The retention of life long tenancies may have a positive impact on turnover so reducing this risk.

## Environmental Sustainability of Estates

Unplanned urgent investment may be required in the physical infrastructure on estates that may impact on the current investment programme.

## Responding to Climate Change

Proposed building regulations, changes to the provision of gas in homes as well as higher thermal efficiency standards which are unsupported by additional external grant funding, would place additional burden on HRA resources available for elemental investment in homes (including new homes). An increase in the frequency of severe weather events may require unplanned urgent investment in homes and disrupt the supply of homes.

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# Appendix A – HRA Revenue Budget

|                                   | 2019/20        | 2020/21      | 2021/22      | 2022/23      | 2023/24      | 2024/25      | 2020-25      |
|-----------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue Account</b>            | <b>Outturn</b> |              |              |              |              |              | <b>Total</b> |
| <b>INCOME (in £millions)</b>      |                |              |              |              |              |              |              |
| Net Income Dwellings              | 139.1          | 142.6        | 146.4        | 150.7        | 157.2        | 164.7        | <b>761.6</b> |
| Other Income                      | 6.3            | 6.2          | 6.2          | 6.2          | 6.2          | 6.3          | <b>31.1</b>  |
| <b>Total</b>                      | <b>145.4</b>   | <b>148.8</b> | <b>152.6</b> | <b>156.9</b> | <b>163.4</b> | <b>171.0</b> | <b>792.7</b> |
|                                   |                |              |              |              |              |              |              |
| <b>EXPENDITURE (in £millions)</b> |                |              |              |              |              |              |              |
| Repairs and Maintenance           | 39.2           | 39.9         | 40.2         | 40.6         | 41.1         | 41.7         | <b>203.5</b> |
| Tenants Services                  | 50.5           | 48.7         | 49.9         | 51.1         | 52.4         | 53.7         | <b>255.8</b> |
| Contribution to Capital Programme | 42.5           | 47.0         | 47.0         | 49.4         | 53.5         | 58.9         | <b>255.8</b> |
| Interest on Borrowing             | 13.3           | 13.2         | 15.5         | 15.8         | 16.4         | 16.7         | <b>77.6</b>  |
| <b>Total</b>                      | <b>145.5</b>   | <b>148.8</b> | <b>152.6</b> | <b>156.9</b> | <b>163.4</b> | <b>171.0</b> | <b>792.7</b> |
|                                   |                |              |              |              |              |              |              |
| Required Revenue Reserve          | 5.4            | 5.6          | 5.7          | 5.9          | 6.0          | 6.2          |              |

# Appendix B – 5-Year Capital Investment Programme 29

| <b>HRA Programme</b>                     | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>Years 1-5</b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
|  | <i>Outturn</i> | <i>Year 1</i>  | <i>Year 2</i>  | <i>Year 3</i>  | <i>Year 4</i>  | <i>Year 5</i>  | <i>Total</i>     |
| <b>EXPENDITURE (in £millions)</b>        |                |                |                |                |                |                |                  |
| Health & Safety Essential Work           | 13.3           | 13.0           | 12.5           | 12.5           | 12.5           | 12.5           | 63.0             |
| Adaptations & Access                     | 2.5            | 2.5            | 2.5            | 2.6            | 2.6            | 2.5            | 12.7             |
| Garages & Outhouses                      | 2.5            | 0.0            | 0.3            | 0.2            | 0.0            | 0.0            | 0.5              |
| Heating, Energy & Carbon Reduction       | 4.5            | 7.4            | 7.3            | 7.4            | 7.3            | 7.4            | 36.8             |
| Waste Management & Estate Environmentals | 0.1            | 1.0            | 4.3            | 4.2            | 4.2            | 4.3            | 18.0             |
| Enveloping & External Work               | 3.1            | 6.7            | 10.8           | 12.7           | 12.7           | 12.7           | 55.6             |
| Communal Area Investment                 | 0.5            | 2.5            | 4.5            | 4.5            | 4.5            | 4.5            | 20.5             |
| Internal Works                           | 2.5            | 1.0            | 3.1            | 3.1            | 3.2            | 3.2            | 13.6             |
| Other Essential Work                     | 0.5            | 1.0            | 1.2            | 1.2            | 1.3            | 1.3            | 6.0              |
| Regeneration                             | 0.0            | 1.0            | 5.0            | 5.0            | 5.0            | 5.0            | 21.0             |
| Capital Management Fee                   | 2.8            | 2.8            | 2.8            | 2.8            | 2.8            | 2.8            | 14.0             |
| IT Upgrade                               | 0.0            | 0.5            | 1.5            | 0.8            | 0.0            | 0.0            | 2.8              |
| <b>Core Investment Programme</b>         | <b>32.3</b>    | <b>39.4</b>    | <b>55.8</b>    | <b>57.0</b>    | <b>56.1</b>    | <b>56.2</b>    | <b>264.5</b>     |
| Stock Increase Programme                 | 17.1           | 37.9           | 76.4           | 75.6           | 29.4           | 21.6           | 240.9            |
| <b>Overall Total HRA Programme</b>       | <b>49.4</b>    | <b>77.3</b>    | <b>132.2</b>   | <b>132.6</b>   | <b>85.5</b>    | <b>77.8</b>    | <b>505.4</b>     |

The HRA Core Investment Programme will primarily be funded from HRA revenue contributions whilst the stock increase programme is planned to be funded from a combination of retained RTB receipts, external grants and prudential borrowing.

# Appendix C – Citywide Rents and Charges 30

## Citywide average weekly rent by bed-size

| Bedsize                      | Average weekly rent (50 weeks) |         | Increase |      |
|------------------------------|--------------------------------|---------|----------|------|
|                              | 2019/20                        | 2020/21 |          |      |
| Bedsit                       | £57.12                         | £58.66  | £1.54    | 2.7% |
| 1 bed                        | £64.74                         | £66.49  | £1.75    | 2.7% |
| 2 bed                        | £74.06                         | £76.06  | £2.00    | 2.7% |
| 3 bed                        | £82.91                         | £85.14  | £2.23    | 2.7% |
| 4 bed                        | £93.26                         | £95.78  | £2.52    | 2.7% |
| 5 bed                        | £99.82                         | £102.51 | £2.69    | 2.7% |
| 6 bed                        | £108.95                        | £111.89 | £2.94    | 2.7% |
| Total (all bedrooms average) | £73.32                         | £75.30  | £1.98    | 2.7% |

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. Both years' averages are calculated using current stock numbers to enable comparison.

## Proposed Community Heating Charges from April 2020

### 1. Metered heat

| Metered Heat   | Charge                      |               | Current weekly charges | Proposed weekly charges from April 2020 |
|----------------|-----------------------------|---------------|------------------------|---|
| Standard price | Unit charge                 | Pence per kwh | 3.04 pence             | 3.04 pence                              |
|                | Standing charge             | £ per week    | £4.20                  | £4.20                                   |
|                | *Unmetered hot water charge | £ per week    | £0.63                  | £0.63                                   |

\*only for dwellings where hot water cannot be measured through the meter

### 2. Unmetered heat\*

| Bedsize                        | Full heating          |                          | Partial heating       |                          |
|--------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
|                                | Current prices £/week | Prices April 2020 £/week | Current prices £/week | Prices April 2020 £/week |
| <b>Heating &amp; hot water</b> |                       |                          |                       |                          |
| Bedsit                         | £11.38                | £11.38                   | £10.52                | £10.52                   |
| 1 Bedroom                      | £11.82                | £11.82                   | £10.82                | £10.82                   |
| 2 Bedroom                      | £14.66                | £14.66                   | £13.62                | £13.62                   |
| 3 / 4 Bedroom                  | £15.78                | £15.78                   | £14.66                | £14.66                   |
| <b>Heating only</b>            |                       |                          |                       |                          |
| Bedsit                         | £8.38                 | £8.38                    | £7.76                 | £7.76                    |
| 1 Bedroom                      | £8.58                 | £8.58                    | £n/a                  | £n/a                     |
| 2 Bedroom                      | £10.82                | £10.82                   | £10.03                | £10.03                   |

\* An additional surcharge is applied for the small number of properties that do not allow access to install, repair or check the equipment. This increased from £5 to £7 per week in 2019/20 to reflect the increasing additional cost incurred by the Council in managing these properties. Customers can avoid this charge by allowing access.

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