

**Committee Name and Date of Committee Meeting**

Cabinet – 20 December 2021

**Report Title**

HRA Business Plan 2022-23

**Is this a Key Decision and has it been included on the Forward Plan?**

Yes

**Strategic Director Approving Submission of the Report**

Anne Marie Lubanski, Strategic Director of Adult Care, Housing and Public Health

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide – all wards

**Report Summary**

The Housing Revenue Account (HRA) records all expenditure and income relating to the provision of council housing and related services, and the Council is required to produce an HRA Business Plan setting out its investment priorities over a 30-year period.

Following the introduction in 2012 of HRA self-financing, the Council was awarded control over its HRA in return for taking on a proportion of national housing debt.

The current business plan takes account of known costs for housing growth, housing management and repairs & maintenance. By the end of March 2022 194 new Council homes will have been built since the start of the housing growth programme. It is proposed a further £92.3m will be invested to deliver the Council's ambition to create 1,000 new homes between 2018 and 2025-26. Over the short to medium term forecast, the Business Plan is operating at or around the minimum balance; however, over the longer term there is a significant squeeze on resources due to inflationary pressures even before the costs of achieving net zero carbon are factored in.

This report provides a detailed technical overview of the current position and the reason for changes to the Business Plan. This report is to be considered alongside the proposed 2022-23 rents, service charges and budgets.

## **Recommendations**

That Cabinet recommends to Council to:-

1. Approve the proposed 2022-23 Base Case Option 1 for the HRA Business Plan.
2. Review the plan annually to provide an updated financial position.

## **List of Appendices Included**

Appendix 1 HRA Operating Statement  
Appendix 2 Summary of Modelled Business Plan Scenarios  
Appendix 3 Equalities Assessment  
Appendix 4 Carbon Impact Assessment

## **Background Papers**

HRA Business Plan 2021-22  
DCLG Guidance on Rents for Social Housing  
Annual Housing Development Report to Cabinet, 22 November 2021

## **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

Overview and Scrutiny Management Board – 15 December 2021  
Council – 12 January 2022

## **Council Approval Required**

Yes

## **Exempt from the Press and Public**

No

## **HRA Business Plan 2022-23**

### **1. Background**

- 1.1 This report sets out the proposals for the HRA Business Plan for 2022-23 onwards and as in previous years provides information on the positioning of the HRA Business Plan as a driver of housing growth to assist in meeting the Council's housing objectives. In essence the overall approach is to make savings where it is feasible to do, so these can be invested in future new affordable housing and to position the housing service, so it is best placed to respond to future challenges that arise.
- 1.2 Since the last update there have been significant policy changes that affect the business plan, specifically relating to the Council's commitment to become net zero carbon by 2030 following the government's target for the UK to achieve net zero carbon by 2050. This creates a significant financial challenge for the HRA Business Plan which will require further consideration even based on the government's 2050 target.
- 1.3 The overall position remains challenging, particularly given the inflationary pressures evident in costs for delivery of the housing growth programme and more generally the cost base of the HRA. As a result of inflationary pressures this will also see rents increased by 4.1% (CPI + 1%) in line with the government's Rent Standard. Whilst this increase may appear significant it is necessary to allow continued investment in housing growth, ongoing investment to improve the Energy Performance Rating of the housing stock, maintain the decent homes standard and sustain current levels of investment in frontline services.
- 1.4 Performance remains strong in key areas of the business resulting in increased income collection and improved value for money for our tenants. Over the short to medium term the Business Plan operating account is at or around the minimum balance; over the longer-term operating balances gradually increase to £34m by Year 30 of the plan.
- 1.5 The policy of Right to Buy and lifting the debt cap are somewhat contradictory as it means there is the potential for an ongoing reduction in cash flow to fund a potential increase in debt. This means the underlying business must continue to become more efficient and new build housing schemes have to at least break even over the long term. This will ensure there are sufficient resources to service the debt to ensure long term viability of the business plan. The overarching strategy for the Business Plan is to promote growth rather than manage decline, going forward new housing growth projects must break even over the life of the business plan.

### **2. Key Issues**

- 2.1 The Council currently owns circa 20,019 homes, 572 leasehold homes and 3,335 garages with a turnover from rents and other sources approaching £89.111m per annum (excluding the sale of new properties).

## 2.2 The overall financial strategy for the HRA is focused on:-

- Supporting more new affordable housing (a further £92.36m including grant income will be invested, subject to Cabinet approval of remaining projects).
- Continue investment to meet the government's net zero carbon target of 2050.
- Increasing rents in line with Government guidance of CPI + 1% i.e. 4.1%
- Supporting delivery of the Council's Year Ahead Plan.
- Maintaining a sufficient level of balances, both as a contingency against risks and to ensure that investment can be sustained over the period of the business plan.
- Supporting tenants to maximise income and sustain their tenancy.
- Achieving and maintaining the decent homes standard.
- Keeping tenants safe through robust management of landlord compliance.
- Tackling fuel poverty.
- Providing a customer focused and effective repairs service.
- Supporting housing and neighbourhood management.
- The long-term viability of the HRA Business Plan is maintained.
- No repayment of debt is made.

## 2.3 Financial Position of the HRA

2.3.1 The HRA currently has a healthy financial position with a general revenue reserve balance forecast to be £8.32m, a forecast major repair reserve of £8.08m and a One for One receipt balance of £1.282m as at 1 April 2022. A summary of the proposed income and expenditure for 2022-23 is below:

Housing Revenue Account	Proposed Budget
	2022/23
	£'000
Expenditure	84,185
Income (including service charges)	-89,111
Net Cost of Service	-4,926
Interest Received	-7
Net Operating Expenditure	-4,933
Revenue Contribution to Capital Outlay	2,896
Transfer to Reserves	2,037
Surplus/Deficit for the Year	0

2.4 It can be seen that based on the 4.1% increase in dwelling rent income and an increase in service charges of 2%, the budgeted income of £89.111m is anticipated to be collected in 2022/23 and that this is reduced by £84.185m of budgeted expenditure, which represents the net cost of delivering the service. As budgeted income is greater than the net cost of delivering the service, there is an overall net income of £4.933m to the service after interest received. The Council are using part of this to fund the Housing Growth programme. The remaining balance will be transferred to reserves to fund capital costs including Housing Growth in the next few years

## 2.5 Supporting the transition to Net Zero Carbon

- 2.5.1 Since the last update there have been significant policy changes that affect the business plan, specifically relating to the Council's commitment to become net zero carbon by 2030 following the government's target for the UK to achieve net zero carbon by 2050. This creates a significant financial challenge for the HRA Business Plan as it will require an estimated £585m to achieve net zero carbon emissions in Council Housing. Given the scale of the financial challenge the HRA does not have sufficient resources to achieve net zero carbon by 2030. To even achieve net zero carbon by 2050, the government's target, will be a formidable challenge.
- 2.5.2 The Council aims to ensure that all of Rotherham's residents live in healthy, energy efficient homes. Improving the energy efficiency and emissions of existing and new homes will provide an opportunity not only to reduce carbon emissions but also reduce fuel poverty and improve air quality.
- 2.5.3 As a major housing stockholder, the Council is in a position to directly improve the emissions of a significant proportion of the Borough's housing stock. There is also a need to effect change in the majority of Rotherham's housing stock, which is in private ownership, through direct intervention with Government funding and also through providing information and education.
- 2.5.4 A one-year plan was developed that details the first steps to meet the Council's ambitions for a net zero-carbon future for Rotherham's housing. Given the forecast cost to achieve net zero carbon is so high the Council currently does not have the financial resources to achieve this by 2030. Therefore, the Council will continue to look for opportunities to invest in stock where the EPC rating can be improved to a minimum of C and external grant funding is available to be matched with HRA resources.
- 2.5.5 The four key areas of action in the one-year plan are:
1. Delivery of schemes under Local Authority Delivery (LAD) funding
  2. Develop a "road map" to zero carbon for council housing
  3. Establish energy efficiency specifications for new Council homes
  4. Establish housing stock emission baseline
- 2.5.6 The Council aims to ensure that all of Rotherham's residents live in healthy, energy efficient homes. Improving the energy efficiency and emissions of existing and new homes will be a priority and provide an opportunity not only to reduce carbon emissions but also reduce fuel poverty and improve air quality.
- 2.5.7 As a major housing stockholder, the Council is in a position to directly improve the emissions of a significant proportion of the Borough's housing stock. There is also a need to effect change in the majority of Rotherham's housing stock, which is in private ownership, through direct intervention with Government funding and also through providing information and education.

2.5.8 Given the scale of the financial challenge, the importance of the carbon reduction agenda and benefits to health and fuel poverty the Council will continue to lobby government for a national funding strategy to achieve net zero carbon by 2050.

## 2.6 Supporting Housing Growth

2.6.1 The Council in recent years has been very successful in using HRA land and finances to build and acquire new council homes. Rother Living is the Council's brand for these new homes, and this has become a well-known and trusted name for building high quality homes for affordable rent, shared ownership and outright sale.

2.6.2 Going forward the financial position of the HRA continues to improve due to the return of rent increases following four years of reductions which ceased in 2020-21.

2.6.3 The key achievements of the housing growth programme include:

- Completed the Broom Hayes development, delivering 44 high quality new homes for council rent and council shared ownership
- 177 homes delivered as a result of council intervention in 2020/21 despite unprecedented challenges
- Achieved excellent sales performance for the new Council Shared Ownership tenure with 62 homes already either sold or reserved
- Started to build 171 new homes for council rent, council shared ownership and open market sale in Rotherham town centre
- Started to build 14 new council bungalows in Treeton and Ravenfield

2.7 Two scenarios have been modelled in arriving at the recommended base case.

### 2.7.1 **2022-23 Base Option 1 (recommended)**

This assumes:

- Social rent will increase by 4.1% for 2022-23 and then increase by CPI + 1% for a further two years (in line with Government rent formula) then CPI only for the remainder of the plan.
- Service charges will increase by 2% in 2022-23 and then CPI for the rest of the plan.
- CPI has been refreshed to the latest forecasts by the Office for Budgetary Responsibility.
- It is proposed a further £92.3m will be invested to achieve the Council's ambition to create a 1,000 new homes by 2025-26.
- There is a borrowing requirement of £30.4m over the life of the plan.
- Right to Buy sales reduce over the life of the plan. These reductions are staged as below:

<b>Year</b>	<b>Number of Right to Buy's</b>
1	172
2	162
3	170
4	194
5 onwards	25

- To accommodate the reduction in income as a result of RTB forecasts there will be a reduction of expenditure in proportion to RTB sales. This will be done by reducing expenditure in supervision and management by 50% and repairs and maintenance by 75% for each property taken out of the asset data base through RTB sales.
- Repairs and maintenance revenue expenditure will remain as in the 2021-22 HRA Business Plan and then increase by £1.2m from Year 5 onwards.
- Investment in Capital works (excluding housing growth) will be relatively unchanged at £1,124m (including inflation) following an increase of £157m over the life of the plan in 2019-20.
- Ongoing investment of £1.6m per year will be made enhancing Housing support services contained in the General Fund.
- Bad debt provision of 1.2% per annum.
- Void loss and allowance of 1.3%.

### 2.7.2 **2021-22 Base Option 2**

All assumptions are as in Base Option 1 but rent increases are limited to 3.1% in 2022-23. This means there is an additional borrowing requirement of £7.694m over the life of the plan and borrowing is required to fund investment and repairs and maintenance activity in later years of the plan. For this reason, this option is unsustainable and not recommended.

2.8 The recommended Base Case Option 1 results in an Operating Surplus at Year 30 of £34m and ensures expenditure is affordable throughout the life of the business plan.

2.9 Base Case Option 1 has been chosen because it provides opportunities to contribute to the housing growth agenda and allows incremental progression to meet net zero carbon. Furthermore, it sets out the Council's ambition to build new homes and in doing so creates a long-term new homes programme allowing for longer term planning and greater buying power. Whilst the 2022-23 Business Plan only provides for a housing growth programme for the next four

years it is intended to explore further opportunities to extend the housing growth programme post 2025 in future iterations of plan.

## 2.10 Key assumptions include:

- There is a borrowing requirement of £30.4m.
- Debt will not be repaid over the life of the plan.
- Ongoing investment of £1.6m per year will be made enhancing Housing support services contained in the General Fund.
- Expenditure is reduced proportionately to stock size, so mitigating the effect of increasing Right to Buys. There will be a net reduction in stock as RTB's are forecast to continue after the end of the current housing growth plan.
- Rent increases are kept in line with CPI following expiry of the Government's new social rent formula which has three years remaining from 2022-23 to increase rents by CPI + 1%.

## 2.11 Impact on the Housing Growth agenda

2.11.1 The Council in recent years has been very successful in using HRA land and finances to build and also strategically acquire new council homes. Rother Living is the Council's brand for new build homes, and this has become a well-known and trusted name for building high quality homes for affordable rent, shared ownership and outright sale.

2.11.2 The Business Plan supports delivery of multiple housing schemes throughout the borough across a variety of tenures as detailed below:

Financial year	Council rent (social)	Shared ownership	Council rent (affordable)	Open market sale	Total
2017/18	0	0	0	0	0
2018/19	4	0	0	3	7
2019/20	0	1	14	43	58
2020/21	6	35	108	32	181
2021/22	9	29	53	7	98
2022/23	43	62	133	23	261
2023/24	61	69	32	17	179
2024/25	53	39	0	0	92
2025/26	20	18	0	0	38
<b>Total</b>	<b>196</b>	<b>253</b>	<b>340</b>	<b>125</b>	<b>914</b>

2.11.3 The overall number of homes intended to be delivered remains at previous levels. However, some figures have been revised, compared with the 2021/22 version, to ensure affordability within the Business Plan and also to reflect some changes between the different tenures. These changes are summarised in the table below:

Change in no. units compared with 2021/22	Council rent (social)	Shared ownership	Council rent (affordable)	Open market sale	Total
	-281	+76	+83	0	-122

2.11.4 Changes between tenures are because many of the homes previously forecast to be let on the basis of social rent have been re-categorised as affordable rent



in line with the expected grant funding terms which will apply to the Council's future delivery, whilst other adjustments to tenure forecasts have also generated an increase in the number of potential shared ownership homes.

2.11.5 The reduction in overall delivery numbers by 122 is primarily due to the increased cost of housing development (due to factors such as general inflation, supply chain shortages resulting from the pandemic and EU exit, the need for higher specifications and the increased cost of acquiring Section 106 homes due to general house price rises), meaning that in order to achieve affordability within the Business Plan, fewer homes can be modelled. However, the housing development pipeline includes enough schemes and units to achieve the original levels of delivery, and the Housing Service continues to explore all opportunities to increase efficiency and deliver against the Council's commitments. This will be explained further in the 2022/23 Annual Housing Development report next spring.

2.11.6 The benefits of the Council developing and enabling new housing include:

- Generation of income to the General Fund via Council tax.
- Ensuring new homes meet changing local needs, particularly the needs of older people, people with support needs and single person households.
- Regenerating neighbourhoods.
- Wider economic benefits including employment and training opportunities.
- Access to grant funding from Homes England and the Sheffield City Region.
- Replacement of Council homes sold through the Right to Buy.
- Improved quality and energy efficiency of housing stock, which improves health and wellbeing and reduces fuel poverty.

2.11.7 The priorities in the housing growth programme over the next five years are:

- Complete the Rotherham town centre housing programme and identify a number of other residential opportunities in the town centre
- Continue to build bungalows and other accessible accommodation to enable older people and people with support needs to live independently
- Purchase more homes from private developments through the Council's strategic acquisitions programme
- Deliver new, high quality affordable homes on council-owned sites in Eastwood
- Continue to release council owned sites for development by the private sector and housing associations and secure council nomination rights wherever possible, for example on the Chesterhill Avenue and Whinney Hill partnership project

## 2.12 **Impact on Revenue Repairs and Maintenance**

2.12.1 Given the level of historic investment in existing stock, circa £51.225m over the past three years, that the stock is overwhelmingly traditional build, and its condition is at or beyond the decent homes' standard, a decision was taken in 2018-19 to reallocate investment from this area to further increase the Council

new build programme. This decision has been reviewed again for this iteration of the business plan and the re-allocation of resources to prioritise housing growth is maintained. This means that additional housing assets could be created, generating greater rental income and meeting housing need in the borough.

2.12.2 Following the re-procurement of the repairs and maintenance contract new pricing suggests the previous budget savings target of 10% will be achieved over the longer term. As a result, the previous budget reduction's to repairs and maintenance have been retained in the updated 2022-23 Business Plan until Year 5 after which there will be an increase of £1.2m per year thereafter.

## 2.13 **Impact on Capital Investment**

2.13.1 During 2018-19 there was a comprehensive review of the capital investment programme to determine the work needed in our stock over the next 30 years. This resulted in an increasing capital investment from £577m to £734m (current prices) over the life of the plan, as a result no further updates to the long-term investment requirements have been included in the 2021-22 Business Plan although it is recognised that a detailed review of the 30-year asset management plan is required over the next year to inform the 2023-24 Business Plan. The short-term investment has been reviewed and matched to the approved 3-year capital programme. The same principles have been used where peaks in demand in some years has meant smoothing of the programme by delaying some stock investment and replacements to later years as necessary. This will not affect the ability to meet the Decent Homes standard.

## 2.14 **The transition to Net Zero Carbon**

2.14.1 The current iteration of the Business Plan does not take account of any costs associated with the Council achieving net zero carbon by 2030. The Business Plan is currently focused on the importance of continuing investment in new affordable homes and supporting regeneration of the Town Centre alongside maintaining commitments to housing management and stock investment.

2.14.2 Given the declaration of a 'climate emergency' in autumn 2020 and the subsequent activity developing the first steps towards a zero-carbon future for Rotherham housing it is only right that the refresh of the HRA business plan takes account of the likely costs associated with delivering this ambition.

2.14.3 Based on the likely costs of £585m required for the Council to achieve its aspiration of all Council housing being net zero carbon by 2030 it is clear that this is unaffordable based on projected income and the funding requirements of other investment priorities such as day to day housing management, housing growth and maintaining properties to a decent standard through kitchen and bathroom replacements etc.

2.14.4 Over the short to medium term forecast, the Business Plan is operating at or around the minimum balance; however, over the longer term there is a significant squeeze on resources due to inflationary pressures even before the costs of achieving net zero carbon are factored in. As a result, this creates a

need to a comprehensive review of all investment priorities which it is proposed will be undertaken prior to the 2023-24 iteration of the business plan.

## 2.15 **Supporting tenants with Financial Pressures**

2.15.1 A key priority is the ongoing work mitigating the effects of the pandemic and general financial pressures tenants face following the spike in inflation which is predicted to last for the next two years. The Council is committed to supporting tenants and will do this through continuing early intervention and arrears prevention. Our efforts will continue to be in supporting tenants to continue to pay their rent; by offering additional support to vulnerable tenants to help with money, benefits and debt advice.

2.15.2 The Council and its partners provide a comprehensive package of support to tenants and residents facing crisis. Current support offered in Rotherham includes:

- RMBC Tenancy Support Service – provides practical support on all tenancy related issues including debt and budgeting. The team have access to funds to support people in crisis i.e. no gas/ electric. Tenants must be actively working with the team to receive financial benefit
- Age UK Age Related Benefit Advisory Service – provide support and guidance to residents age 65 and over to claim all age-related benefits to maximise income. They all provide holistic support in other areas of concern i.e. fuel poverty/ home insulation etc.
- RMBC DHP Fund- residents with rent arrears can apply to the RMBC Discretionary Housing Payment Fund for assistance to clear or reduce their debt subject to criteria
- ESF/RMBC Pathways and Inspire Employment Projects – provide support and assistance to people looking to access training and employment in order to better their financial situation. The team also have access to funding to help people in crisis i.e. no food/ heating. Participants must be actively working with the team to receive financial benefit
- RMBC Household Support Fund – still in development it is believed the fund will be used to support vulnerable people through the provision of food vouchers, help with energy costs and financial support to buy essential items such as cookers/fridge freezers etc.
- RMBC Advocacy and Appeals Team – providing people with practical support to maximise their income by claiming any benefits they are entitled too. The Team can assist with application and also with mandatory reconsideration and appeals/ tribunals.
- Foodbanks – provided through Liberty Church, the Trussell Trust and Rotherham Foodbank. Vulnerable tenants can be supported through the provision of free food parcels in times of crisis. Referrals have historically been made through the RMBC Community Hub

- Social Supermarket – Rotherham Minster and VAR supporting residents through the provision of a social supermarket that allows members to pay £3 a week for a maximum of 3 months to allow them to shop in their store. This service transitions people from foodbank dependency and promotes empowerment through teaching budgeting skills
- Rotherfed ‘Making your money go further’ project – This project works with communities to deliver bespoke advice on how tenants and residents can save money and survive on a limited income.
- Citizens Advice Rotherham – providing advice and guidance to all residents on money management and debt solutions enabling clients to resolve the cycle of debt. They also provide support to residents with energy issues through seasonal funded projects such as energy best deal. Historically they have been able to support vulnerable residents through the provision of fuel vouchers. This year’s energy campaign is yet to be announced however the Winter Energy Fund will provide up to £10 million which will be distributed through eligible charities this winter. It is dedicated to pre-payment meter customers who are at risk of self-disconnection

2.15.3 Universal Credit roll out continues throughout Rotherham which has seen over 6,000 tenants now receiving Universal Credit with over 1,700 tenants in receipt of an Alternate Payment Arrangement where housing costs are paid direct to the Council.

2.15.4 Given average arrears balances have reduced significantly over the past 4 years the impact of Universal Credit has been minimal. That said a tenant in receipt of Universal Credit will still have a higher arrears balance than other tenants. As at end of September 2021 the average arrears balance for a tenant on Universal Credit was £142.23 compared to £27.02 for other tenants. As a result, the Tenancy Support team continue to work intensively with tenants on Universal Credit to mitigate any potential arrears.

## 2.16 Investment in other Council Housing Services

2.16.1 An ongoing investment of £1.6m per year will be maintained in enhancing Housing support services contained in the General Fund over the period. In addition, it is proposed to work in partnership with Adult Care to help customers to maintain independence within their own home for as long as possible.

## 2.17 Impact of the proposed scenario

2.17.1 The impact of the changes to the Business Plan are summarised below:-

- There will be a further £92.36m spent on housing growth over the next five years.
- There will be a borrowing requirement of £30.4m over the next 30 years.
- The General Fund will receive continued funding for HRA support services of £1.6m per year for the life of the plan.

- The 10% reduction to day-to-day revenue repairs over the next three years is retained as per the 2021-22 plan. From year 5 onwards there will be an increase of £1.2m per year.
- There will be surpluses of £34m by year 30.

### 3. **Options considered and recommended proposal**

3.1 A series of options were considered as part of scenario modelling, these are detailed at Appendix 2 of the report. Details of the HRA Business Plan Base Case Option 1 (preferred) are set out in the main body of the report. This will result in the HRA having an Operating Surplus of £34m by year 30 and provide support to the housing growth agenda and the Council's General Fund position.

### 4. **Consultation on proposal**

4.1 The Council has a strong track record for tenant engagement and has recently been recognised by the Tenant Participation and Accreditation Service for the excellent framework that is in place to consult and work with tenants on how services are developed and improved. The Housing Involvement Panel is made up of Area Tenant Panel Chairs and was consulted on 24<sup>th</sup> November 2021.

4.2 The Housing Service undertook a survey of tenant's views in 2018, referred to as the Star (Standard Tenant Assessment Response) Survey which supports how resources are targeted and allows the Council to benchmark satisfaction with other social housing providers. The most recent survey found:-

- 80% of tenants are satisfied with the overall service provided.
- 80% of tenants are satisfied with the quality of their home.
- 78% of tenants believe their rent provides value for money.
- 48% of tenants were satisfied that their views were listened to and acted upon.
- Satisfaction with grounds maintenance and estate services were varied across the borough.

4.3 The HRA Business Plan has responded to some of the above concerns by increasing investment in Tenant Involvement Services and increasing capacity in the housing management teams.

4.4 Members have been consulted on various aspects of the Housing Revenue Account Business Plan. Seminars and Workshops have been held on Housing Growth, Repairs and Maintenance and Housing Policy updates. This has helped inform the proposed Business Plan.

4.5 The HRA Business Plan also supports housing growth, which is important for a wide range of reasons including supporting people's health, wellbeing and independence, contributing to Rotherham's economic growth through employment and training opportunities / investment in local businesses, and helping to meet the increasing demand for affordable housing. Targets have been set for the number of homes delivered as a result of council intervention, and delivery has increased year on year since the introduction of the target, from 109 in 2018/19 to 177 in 2020/21. The Council is therefore making a

significant contribution to the borough's overall housing delivery targets, which were established as a result of the Rotherham Strategic Housing Market Assessment (SHMA) which was completed by the University of Sheffield in 2019 and indicated a requirement of between 550 and 600 homes per year.

## 5. **Timetable and Accountability for Implementing this Decision**

5.1 The table below shows the approval timeline:

<b>Date</b>	<b>Meeting</b>
15/12/21	Overview and Scrutiny Management Board Meeting
20/12/21	Cabinet decision making meeting
12/01/22	Council

## 6. **Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)**

6.1 In developing the HRA Business Plan the CIPFA / CIH code of practice for a self- financed housing revenue account; the Financial Viability principle has been taken into account which states that:-

- The housing authority has arrangements in place to monitor the viability of the housing business and take appropriate actions to maintain viability.

6.2 The HRA Business Plan is reviewed and updated annually to take account of changes to all income streams and the revenue and capital costs of managing and maintaining HRA properties and tenancies. It also considers Capital investment in new build and housing acquisitions for affordability.

6.3 The HRA Business Plan includes assumptions on rent levels as dictated by legislation. The HRA BP assumes that rents will be increased by CPI plus 1% for a further three years from April 2022 and increases by CPI thereafter. In 2022/23 the rent increase will be 4.1%. As the HRA is self-financing, the rental income stream makes up most of the funding available to the HRA.

6.4 The HRA operating balance is forecast to reduce to the minimum sustainable level for years 4-6 in the BP. The minimum balance is £3.7m in year one and uplifted by CPI annually and is the minimum level required to manage financial risk. The forecast is revised each year for the actual income and expenditure incurred.

6.5 Due to the anticipated level of the operating balance future investment in Housing Growth will need to at least breakeven (generate sufficient net revenue income to fund the cost of borrowing). This will support the overarching strategy for the Business Plan to promote growth rather than manage decline.

6.6 The forecast level and cost of borrowing is significant, but the Business Plan modelling demonstrates that this is affordable within the current assumptions for Option 1.

6.7 Option 2 results in a requirement to borrow to fund existing stock maintenance. This is unsustainable without reducing other costs (or services) to reduce the borrowing requirement.

6.8 There are no direct procurement implications arising from this report.

## **7. Legal Advice and Implications**

7.1 It is vital that the Council has and maintains a robust HRA Business plan, which is subject to regular review and scrutiny to enable the Council to comply with the duties placed upon it. The HRA provisions in the 1989 Act include the duty in January or February each year to formulate proposals relating to HRA income and expenditure. Those proposals are contained in this report.

7.2 The Housing Revenue Account (HRA) is designed for management of income-based collection finance generated by housing stock falling under the remit of section 74 Local Government and Housing Act 1989.

7.3 Section 24 of the Housing Act 1985 (the 1985 Act) the Council has a broad discretion in setting such reasonable rents and other charges as it may determine, and the Council must from time-to-time review rents and make such changes as circumstances may require.

7.4 The duty to review rents and make changes is itself subject to the requirements for notice of a variation set out in Section 103 of the 1985 Act. This will follow any Council decision following a recommendation from Cabinet.

## **8. Human Resources Advice and Implications**

8.1 There are no immediate human resource implications.

## **9. Implications for Children and Young People and Vulnerable Adults**

9.1 There are no implications for CYPS or Vulnerable Adults.

## **10. Equalities and Human Rights Advice and Implications**

10.1 The Local Authority is aware of its duties under the Equality Act 2010 to promote equality, diversity, cohesion and integration and has ensured that the HRA Business Plan is compliant with that duty. An initial equalities screening has been carried out to assess the impact of these proposals and due to the scale of investment and nature of households affected the Council will need put in place an Equality Impact Assessment for this plan. This will ensure the Council continues to promote positive impact and reduce or remove negative impact as a result of the proposed investments. An Equalities Analysis is attached at Appendix 3.

## **11. Implications for CO2 Emissions and Climate Change**

11.1 The HRA Business Plan sets out the proposed value of investment in the housing service for the next 30 years. Given the government's commitment for the UK to be achieve net zero carbon by 2050 this will require substantial investment in the Council's housing stock over the life of the business plan. Initial estimates put the cost of this at circa £585m which represents a formidable challenge to the HRA. It is acknowledged that the Housing Service must now develop a Green Investment Strategy. This will detail how the Housing Service will meet this ambition over the life of the business plan and reduce carbon emissions from the Council's housing stock to net zero by 2050. This will be developed over the next year and investment proposals fed into the 2023-24 HRA Business Plan.

## **12. Implications for Partners**

12.1 This proposal is about making effective use of Council assets and managing them to best effect. It contributes to the sustainable neighbourhood's agenda by addressing future investment needs and will help deliver a better quality of affordable housing to the community.

## **13. Risks and Mitigation**

13.1 Self-financing involved a significant transfer of risk from Central Government to the Council. Variables such as interest rates, cost inflation, number of homes owned etc. are all risks managed by the Council.

13.2 Any adverse changes in rental income (for example as a result of welfare reform or changes in the number of Right to Buy sales) must be managed locally.

13.3 The risk management plan follows the Council's risk management methodology and approach. It includes a clear description of the risk, an assessment of probability and impact of the risk, a summary of controls and information on when the risk will be reviewed. Risks are monitored monthly at Housing Senior Management Team (SMT) meetings.

13.4 Significant risks will be placed on the Corporate Risk Register and risk issues will be escalated through the Council to Directorate Leadership Team and Strategic Leadership Team as necessary.

13.5 The Council has risk-based reserves to ensure that HRA reserves are maintained at the appropriate level. The reserves will be maintained at the appropriate level to fund potential future financial pressures from risks such as welfare reform and investment requirements.

## **14. Accountable Officers**

Anne Marie Lubanski, Strategic Director for Adult Care, Housing and Public Health

Paul Walsh, Interim Assistant Director of Housing



Approvals obtained on behalf of Statutory Officers: -

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	09.12.21
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	30.11.21
Assistant Director, Legal Services (Monitoring Officer)	Phil Horsfield	30.11.21

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