

	<p>Housing Committee 23 October 2017</p>
<p style="text-align: right;">Title</p>	<p>Housing Revenue Account (HRA) Business Plan</p>
<p style="text-align: right;">Report of</p>	<p>Deputy Chief Executive</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>No</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>Yes</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A- Housing Revenue Account Business Plan</p>
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Summary

The Housing Revenue Account (HRA) is a ring-fenced budget that is used to manage income and costs associated with managing the Council's Housing Stock and related assets including shops and garages on council housing estates. The Council has developed a 30 year HRA Business Plan in 2015 which identified priorities for the HRA including investment in homes and services. The plan has been updated to reflect progress since 2015 and to take account of the need for extra investment in fire safety measures.

Recommendations

1. That the Committee approve the draft Housing Revenue Account Business Plan as attached in Appendix A.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Housing Revenue Account (HRA) is a ring-fenced budget associated with council housing and other assets such as shops, garages and land on council housing estates.
- 1.2 From 2012, a national subsidy system for council housing was replaced with self-financing giving local authorities direct control over the income and expenditure associated with council housing. This settlement saw Barnet move away from having to pay circa. £11m of council rents it collected to the Treasury to a position whereby the HRA is self-sufficient and able to meet the on-going investment needs of council homes.
- 1.3 In addition, the settlement provided the council with the opportunity to borrow an additional £38m as a result of headroom generated by differences between the actual HRA debt and the amount assumed in the settlement.
- 1.4 The Council has progressed a number of priorities to make use of the additional investment. These include:
 - Additional investment in existing council homes to maintain them to the Decent Homes Standard and also provide an accelerated programme of essential health and safety works,
 - Completion of 43 new council homes for rent on existing HRA land
 - Investment in a new extra care scheme at Moreton Close which is currently on site, and a commitment to fund 2 further similar schemes
 - The acquisition of 21 of properties for affordable rent across London
 - A programme of advanced acquisitions on the Council's regeneration estates.
- 1.5 The 30 year HRA Business Plan, attached at Appendix A, has been updated to set out how the Council will manage and maintain the housing stock and properties for investment going forward.
- 1.6 In addition, following the Grenfell Tower fire earlier this year, the plan now includes options for implementing improvements to fire safety measures in the Council's housing stock.
- 1.5 The HRA Business Plan has taken into account the national policy of reducing existing council rents for each of the next two years, and the impact of the roll out of Universal Credit in 2018. A scenario is also included that shows the potential impact of proceeding with the sale of high value properties and payment of a levy to the Treasury, which featured in the Housing and Planning Act 2016 but has not yet been implemented by the Government.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Council's housing stock is managed and maintained by Barnet Homes, which completed the Decent Homes programme in 2011. It is necessary to continue to fund investment in the existing housing stock to ensure that

properties are well maintained and to ensure that the Council meets its statutory obligations in relation to health and safety. A 30 year asset management strategy has been developed by Barnet Homes to determine the future investment needs of the existing housing stock, including major works and health and safety related works.

- 2.2 It is important to learn the lessons from the Grenfell Tower fire, and the HRA Business Plan sets out how the cost of fire safety improvements could be met through the HRA.
- 2.3 The Council faces significant General Fund budget pressures and the HRA provides some opportunities to help mitigate these pressures, particularly in terms of reducing the need to use expensive temporary accommodation by providing additional homes for rent for households facing homelessness. The HRA also provides an opportunity to provide cheaper alternatives to expensive residential care for vulnerable people including older people and wheelchair users.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The HRA Business Plan has been developed to support the priorities outlined in the Housing Strategy and Housing Committee Commissioning Strategy, and no other options were considered.

4. POST DECISION IMPLEMENTATION

- 4.1 A number of other pieces of work will follow in order to implement the HRA Business Plan. This includes progressing plans to build two more extra care housing schemes and additional homes at Burnt Oak Broadway, as well as delivery of measures to improve fire safety.
- 4.2 The Council will seek financial support from the Government in meeting the additional costs associated with improvements to fire safety measures.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The HRA Business Plan contributes to the strategic objectives in Council's Corporate Plan 2015 to 2020 in the following ways:

"The Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

- *"Of opportunity, where people can further their quality of life"- by maintaining the existing housing stock in good condition delivering new affordable homes for rent;*
- *"Where people are helped to help themselves, recognising that prevention is better than cure" – by using resources to provide services that help more vulnerable council tenants to maintain their*

independence, and to provide an extra- care scheme and wheelchair units for vulnerable people;

- *“Where responsibility is shared, fairly”* – by recognising that services provided by Barnet Homes can help households affected by welfare benefit reforms to access to employment and training opportunities.
- *“Where services are delivered efficiently to get value for money for the taxpayer”* – by maintaining the housing stock efficiently to ensure that high standards are maintained and that resources are used in the most effective way.

5.1.2 Barnet’s Joint Strategic Needs Assessment 2015 to 2020 highlights the fact that there is a long term shift in housing tenure towards renting and away from owner occupancy (either outright or with a mortgage) reflecting a sustained reduction in housing affordability and an imbalance between housing demand and supply. The HRA Business Plan aims to increase the housing supply including the provision of specialist housing for vulnerable people.

5.1.3 The plan contributes to the Housing Strategy, by maintaining the quality of the existing council housing stock, provides additional housing which will help the Council to tackle homelessness and provide homes for vulnerable people, including older people and wheelchair users.

5.2 **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 The Housing Revenue Account Business Plan seeks to provide assurance there is a viable plan in place for managing and investing the resources available to the Council in the form of council rents and income from other HRA assets such as shops and garages.

5.2.2 New affordable homes provided through the HRA will help to reduce costs to the council’s general fund by providing an alternative to short term temporary accommodation, which has a net cost to the Council of approximately £1,775 a year per unit.

5.2.3 The delivery of extra care housing and wheelchair adapted homes will help the council to meet savings targets for social care budgets by providing a more affordable alternative to residential care as a well as delivering a better outcome for vulnerable residents.

5.2.4 The HRA Business Plan is modelled on the assumption that rents for existing council homes will reduce by 1% a year until April 2019 in line with current Government Policy. It also takes account of the recent Government proposal that social rents will be able to increase by up to CPI + 1% a year for five years, starting from 2020/21 (i.e. after the end of the current rent reduction period and from 2025/26 that they will then increase by CPI. For new council homes it is assumed that affordable rents of 65% of local market rents will be charged, in line with the Councils rent policy).

5.2.5 The inclusion of additional measures to improve fire safety will put financial pressure on the HRA and constrain the ability of the Council to fund additional new homes. In view of this, the Council will seek additional financial assistance from the Government to take account of these additional costs.

5.3 Social Value

5.3.1 Social Value considerations will be considered in the individual investment decisions.

5.4 Legal and Constitutional References

5.4.1 The Localism Act 2011 reformed the way that council housing is financed in England and Wales. The national HRA subsidy system ended in April 2012 and was replaced with self-financing.

5.4.2 Annex A to the Responsibility for Functions Section of the Council's Constitution gives the Housing Committee specific responsibility in relation to the Housing Strategy (incorporating the Homelessness Strategy).

5.5 Risk Management

5.5.1 There is a risk that costs assumed in the HRA Business Plan will be higher than anticipated, this will be mitigated through regular monitoring and updating of the plan.

5.5.2 There is a risk that the Government will proceed with the implementation of measures in the Housing and Planning Act and require the Council to pay a levy to the Treasury based on assumptions about the sale of high value properties. This could make the HRA unviable, and the Council would seek additional financial freedoms for the HRA should this prove to be the case.

5.5.3 There is a risk that the Council does not make full and effective use of the HRA and borrowing headroom and that the objectives set out in the business plan are not realised. This will be mitigated by regular reviewing of progress of the objectives through resources in the Council's Commissioning Group.

5.5.4 There is a risk that there will be further unexpected constraints on rent setting beyond April 2020, which could impact on the viability of the HRA Business Plan.

5.6 Equalities and Diversity

5.6.1 Under the Equality Act 2010, the Council must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex;

sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

5.6.2 Investment in existing council housing stock will impact positively on existing council tenants who are generally more diverse than the population of the borough as a whole. New family sized housing that is being delivered through the HRA Business Plan will be available to households in need, including homeless applicant who are likely to be more ethnically diverse and younger than existing council tenants. The HRA will also be used to support vulnerable older people and wheelchair users.

5.6.3 Each investment decision in the HRA will be subject to an equalities impact assessment.

5.7 Consultation and Engagement

5.7.1 The Council consulted with tenants, residents and stakeholders on the draft Housing Strategy and Commissioning Plan. These documents have informed the HRA Business Plan to ensure that the available resources are used to help the Council achieve its housing priorities.

5.8 Insight

5.8.1 No specific insight data has been used in the drafting of the HRA Business Plan.

6. BACKGROUND PAPERS

6.1 Relevant previous decisions are indicated in the table below.

Meeting	Decision	Link
Council 20 October 2015	Approval of Housing Strategy and Business Plan	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=8340&Ver=4
Housing Committee 19 October 2015	Approval of HRA Business Plan	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=8268&Ver=4

