

## Appendix A - HRA Business Plan – autumn 2017

### 1. Introduction

The Council's Housing Revenue Account (HRA) is funded through rents and service charges received from council tenants and leaseholders, and meets the costs associated with maintaining and managing the council's housing stock, and can also be used for funding the development or acquisition of new council homes and other related capital projects.

Since 2012, the HRA has been self-financing, although there are restrictions on borrowing and income.

This report sets out progress that has been made since 2015, when the Council's last HRA Business Plan was agreed and priorities for the next period through until 2025.

### 2. Executive Summary

Good progress has been made on implementing the HRA Business Plan since 2015, with the completion of 40 new council homes for rent, and the commencement of building work on a new 53 unit extra care scheme at Moreton Close, as well as the acquisition of a number of properties in London to let at affordable rent to homeless applicants.

In addition, the Council has continued to invest in existing council homes which continue to be maintained to the Decent Homes standard.

The Council and Barnet Homes have always taken fire safety very seriously, and ensuring the safety of residents was already a top priority for our investment programme. Following the Grenfell Tower fire earlier this year, the Council has committed to going beyond its statutory obligations to meet best practise in fire safety measures, and a priority for the HRA business plan going forward will be to deliver this commitment.

Other projects to be supported by the HRA Business Plan include 2 additional extra care schemes, providing 125 new homes, and a project to provide an additional 20 council flats by adding a floor to existing buildings.

### 3. National Policy Framework

The introduction of HRA self-financing in 2012 included a debt cap to restrict the amount of borrowing that councils could carry out against their HRAs; this reflects that HRA borrowing contributes to the national Public Sector Borrowing Requirement. In Barnet, the HRA borrowing cap is £240m.

The Welfare Reform and Work Act 2016 introduced a 4 year requirement for social landlords to reduce their rents by 1% each year from April 2016, which has reduced the

revenue available to the HRA. The Government has indicated that it will consult with social housing providers in due course on national rents policy beyond April 2020.

The roll out of Universal Credit for new applicants and where there is a change in circumstances for existing claims from February 2018 is expected to impact on rent collection and associated bad debt.

The Planning and Housing Act 2016 introduced a requirement for local authorities with housing stock to consider selling higher value homes as they become vacant and make payments to the Treasury in respect of the expected amounts raised. The funds raised would be used to provide additional affordable homes and fund an extension of the Right to Buy to tenants of Registered Providers. Further guidance on the definition of higher value homes and the payment mechanism has yet been published and it is unclear at this stage what the timetable for this is.

#### 4. Corporate Priorities

The Council's Corporate Plan for 2015-20 sets the vision and strategy for the next five years based on the core principles of **fairness, responsibility** and **opportunity**, to make sure Barnet is a place:

- Of opportunity, where people can further their quality of life
- Where people are helped to help themselves, recognising that prevention is better than cure
- Where responsibility is shared, fairly
- Where services are delivered efficiently to get value for money for the taxpayer

In addition the Council's Housing Strategy sets out the plans to meet housing need in the borough with a focus on the following priorities:

- Increasing the housing supply
- Delivering homes that people can afford
- Sustaining quality particularly in the private rented sector
- Tackling homelessness
- Providing suitable housing to support vulnerable people
- Delivering efficient and effective services to residents

The HRA Business Plan contributes to the Housing Strategy in a number of ways, including:

- Maintaining the quality of the existing supply of council housing
- Investing in the delivery of new affordable homes for rent
- Increasing the supply of housing to help tackle homelessness
- Investing in new homes for vulnerable people, including wheelchair users and older people

- Ensuring that housing services funded through the HRA are efficient and effective.

## 5. Maintaining the quality of the existing supply of council housing

The Council's housing stock is managed and maintained by Barnet Homes, an Arm's Length Management Organisation (ALMO) which was established in 2004 to improve services and deliver a programme of investment to bring the stock up to the Decent Homes standard.

Barnet Homes completed the Decent Homes programme in 2011, and now have a 30 year asset management strategy in place to deliver the following objectives:

- Ensure properties are maintained in a manner which provides a safe living environment and one that is not detrimental to residents and other user's health.
- Ensure operators maintaining the buildings are able to carry out works in a safe manner and without detriment to health.
- Inform the 30 year HRA business plan
- Identify the assets to be maintained
- Establish the basis for future investment in the assets
- Establish a basis for possible alternative use of the assets
- Provide an outline vision for new build dwellings
- Establish a mechanism for review of the strategy
- Seek residents' views on the objectives of the strategy to inform the development and updating of the strategy
- Achieve value for money

Since the Grenfell Tower tragedy in June 2017, the Council has responded by taking urgent steps to deal with any immediate issues, as well as agreeing to invest in enhancing fire safety in the 28 tower blocks that it manages by investing at least £10m in best practice fire safety measures. This approach is reflected in the following table showing investment plans for the council's housing stock through to 2025:

Proposed Programme £'000	Actual 15/16	Actual 16/17	Revised 17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Major Works	10,019	6,467	4,530	5,670	5,823	6,970	7,768	7,780	6,812	8,444
Regeneration (essential works)	2,665	1,363	2,910	1200	990	525	787	644	274	217
Mech. Engineering/Gas	11,003	9,403	9,790	5,715	5,695	6,125	3,615	3,340	2,840	3,140
Voids and Lettings	2,588	3,646	3,910	3,605	3,605	3,655	3,555	3,655	3,505	3,605
Misc. Repairs	2,214	1,785	2,440	2,784	2,315	2,315	2,324	2,315	2,314	2,315
Fire Safety			10,000							
<b>Total</b>	<b>28,489</b>	<b>22,664</b>	<b>33,580</b>	<b>18,974</b>	<b>18,428</b>	<b>19,590</b>	<b>18,049</b>	<b>17,734</b>	<b>15,745</b>	<b>17,721</b>

## 6. Investment in the delivery of new affordable homes for rent

The Council's Housing Strategy 2015-2025 sets out the need for more affordable homes in the borough, and identifies the opportunity for the use of local authority land, including land held in the HRA, to provide sites for new housing, including new affordable properties to rent and for low cost home ownership.

Barnet Homes have successfully delivered the first tranche of 40 new council homes, with the programme completing in summer 2016.

In addition, in order to make effective use of the Council's Right- to-Buy receipts, HRA funding was used to support the purchase 21 properties across London which will be let at affordable rents via the Council's Housing Allocations Scheme.

Barnet Homes have now established a Registered Provider **Open Door Homes**, which will develop approximately 320 new homes on existing HRA land. This approach means that whilst the HRA will support the developments by providing land at nil cost, the development costs of the new homes will be funded by a loan to Open Door Homes from the Council. This approach has been taken as the limit on borrowing that applies to the HRA means that it could not fund that quantity of new homes.

Although the majority of new homes are to be delivered via Open Door Homes, plans are being developed to provide 20 new homes in Burnt Oak by building an additional floor on top of existing flats. If this is successful, further similar schemes will also be considered, although the opportunity to fund these via the HRA is limited due to the need to fund additional fire safety works.

## 7. Increasing the supply of housing to help tackle homelessness

The delivery of new affordable homes for rent, as described above, will help to reduce homelessness by providing an alternative to expensive temporary accommodation. At present the average net annual cost of providing temporary accommodation is £1,775 per household, and this cost is set to increase due to continuing inflationary pressures in the housing market associated with population growth and a limited supply of housing.

This means that each additional 100 new affordable homes built will save the Council at least £175,000 a year in temporary accommodation costs which fall on the General Fund, as well as providing a better outcome for households facing homelessness.

## 8. Investment in new homes for vulnerable people

The Council has identified a need for additional supported housing for older people and wheelchair users, including additional extra care housing for older people and homes for wheelchair users.

## Extra Care housing

As well as providing better outcomes for users, additional supported housing will provide a more cost effective alternative to expensive residential care. It is estimated that around 35% of people admitted to residential accommodation by the Council would have a better quality of life in extra care housing. This equates to approximately 90 clients every year. Each client placed in extra care housing provides a saving of £10,000 a year compared to the cost of residential care. Building work is now underway develop a new 53 unit extra care sheltered housing scheme in Moreton Close, and this is due to complete in the spring 2018.

In addition, the Council and Barnet Homes are bring forward plans to provide a further 50 unit extra care scheme at Stag House in Edgware, and another 75 unit scheme as part of community lead development plans for the Upper and Lower Fosters estate in Hendon, both of which will be funded through the HRA.

## Wheelchair housing

The Council has identified a number people currently in residential care, who would benefit from wheelchair adapted housing. It is estimated that for each person rehoused will generate a General Fund saving of up to £50,000 a year. Barnet Homes have already built four wheelchair adapted homes as part of the 40 new council homes completed in 2016. Additional wheelchair adapted homes will be provided as part of the on-going programme of building affordable homes described in section 6 above, in line with the local plan requirement that at least 10% of new homes should be wheelchair accessible.

## 9. Efficient and Effective Services

The majority of services funded from the HRA are provided by the council's ALMO, Barnet Homes, including the management and maintenance of council housing and the provision of housing needs services, for example assessments of eligibility for rehousing against the council's Housing Allocations Scheme.

During 2015, the Council reviewed the services provided by Barnet Homes through a series of challenge sessions to ensure that the services are of a satisfactory standard and provide good value for money. This led to the development of a new ten year management agreement, effective from 1<sup>st</sup> April 2016 and agreed budget savings worth £2.85 million over the first four years of the agreement. This 10% budget reduction has been assessed as being a realistic target and will have a minimal impact on the effectiveness of services, whilst freeing up resources for investment in further new homes.

<b>Savings target</b>	<b>Savings achieved through:</b>
£1.839 million	<ul style="list-style-type: none"><li>• Management and repairs savings due to forecast stock losses through estate regeneration and Right to Buy sales,</li></ul>

	<ul style="list-style-type: none"> <li>• Value for money service reviews.</li> </ul>
£0.937 million	<ul style="list-style-type: none"> <li>• Procurement and enhancing the value of existing contract arrangements</li> <li>• Reduced accommodation costs due to less floor space at Barnet House</li> <li>• New ways of working through more effective use of IT.</li> </ul>
£0.77 million	<ul style="list-style-type: none"> <li>• Stopping some of the 'non-essential' works provided by Barnet Homes,</li> <li>• Re-prioritisation of certain types of non-urgent repairs.</li> </ul>
<b>£2.853 million total</b>	

Following a slower reduction in stock than was originally forecast, the total savings amount has subsequently been adjusted to **£2.148 million**.

## 10.Right to Buy Receipts

The Right-to-Buy was reinvigorated in 2012 through the introduction of more generous discounts for tenants wishing to buy their council home. As part of this, local authorities have been permitted to keep a larger proportion of the receipts generated from Right-to-Buy sales on condition that these are spent on providing new affordable homes within 3 years. The Council has so far made use of Right-to-Buy receipts to support the building and acquisitions programme described in section 6 above, including 44 newly built and 20 homes acquired on the open market for affordable rent, as well as new extra care homes at Moreton Close.

The Council will continue to use its available Right-to-Buy receipts to support the building of new council homes, additional extra care homes and the 320 new homes being built by Open Door Homes for affordable rent.

## 11.HRA 30 Year Business Plan

The Council uses a model to project the HRA over a 30 year period, taking into account changes in stock, capital programme requirements, and expected policy changes.

A baseline position has been established which takes into account the current capital programme, the losses of stock expected through estate regeneration and sales, and the requirement to reduce council rents for the next 2 years. It also includes the capital programme as set out in Appendix 5. Key outputs from the HRA model for the baseline scenario are shown at Appendix 1. This shows that the HRA is sustainable until over the next 30 years, with some scope for additional investment.

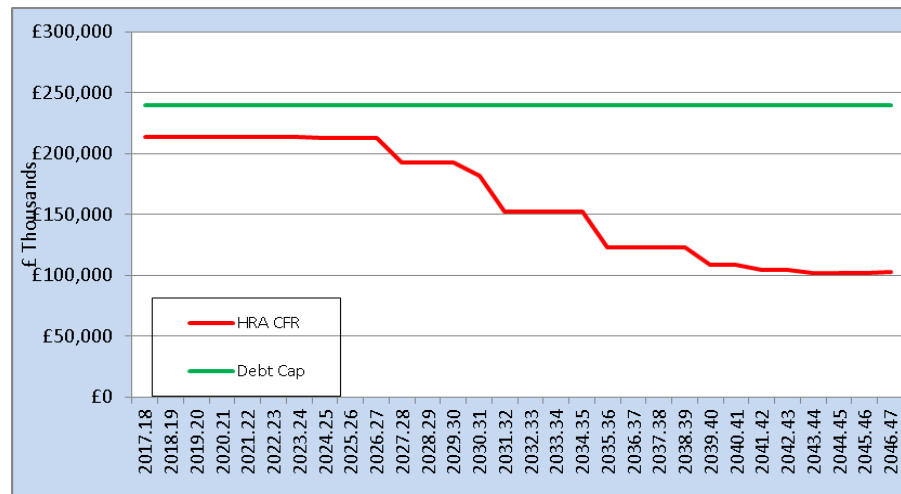
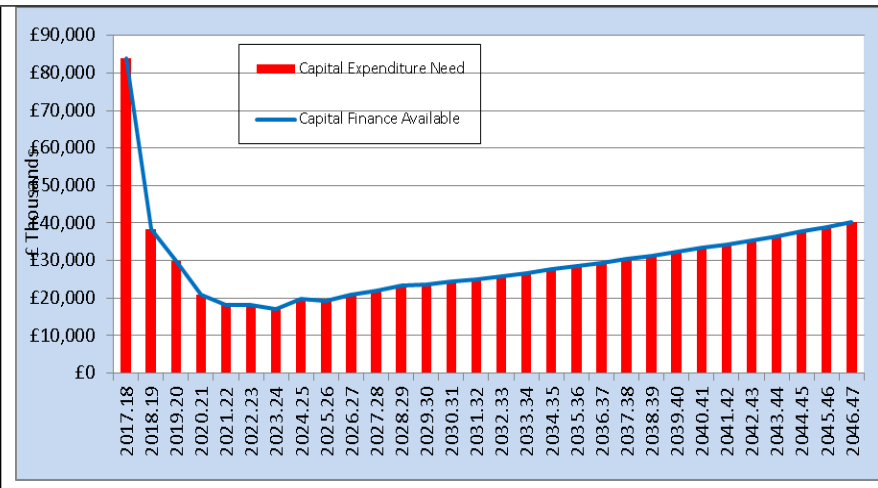
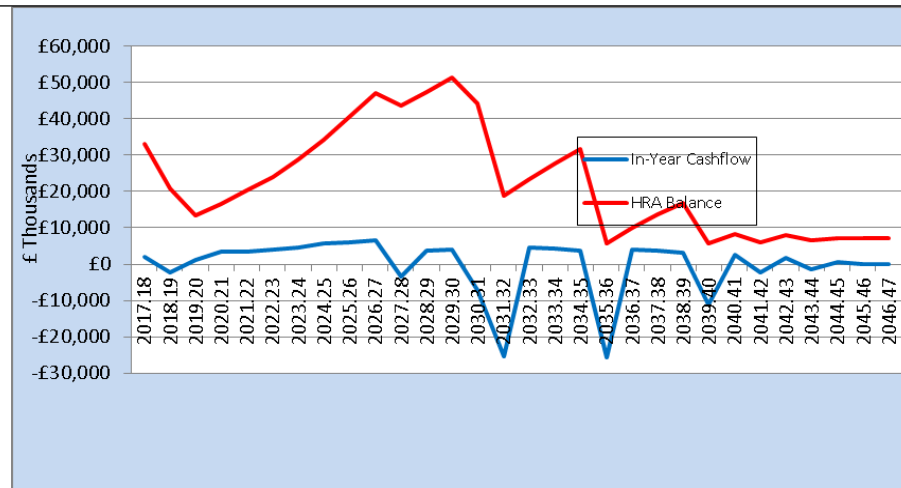
A second scenario shows the baseline but with increased expenditure on fire safety measures of £17.5m, to deliver high priority works which Barnet Homes have identified

following a review of fire safety in the Council's high rise council blocks. In this scenario, the HRA continues to be sustainable over the 30 life of the business plan, although this would limit the ability of the authority to fund other capital projects, including the building of new affordable homes.

A third scenario shows the potential impact of requiring the Council to sell higher value properties and pay a levy to the Government. Although there has been a delay in the issuing of regulations which will provide more detail of the payments that each local authority will be required to make, analysis carried out by Shelter in September 2015 suggested that based on information that the Conservative Party published during the 2015 general election, Barnet would need to raise £7.5m a year, based on the sale of 15 higher value council homes becoming empty. This suggests that the HRA would become unsustainable from 2041 onwards if applied to the baseline model.

Further modelling of the HRA will be undertaken to take account of the full extent of additional fire safety improvements once the outcome of a review of fire safety and the building regulations is known in the spring 2018.

## Appendix 1 - HRA Business Plan – Baseline Model



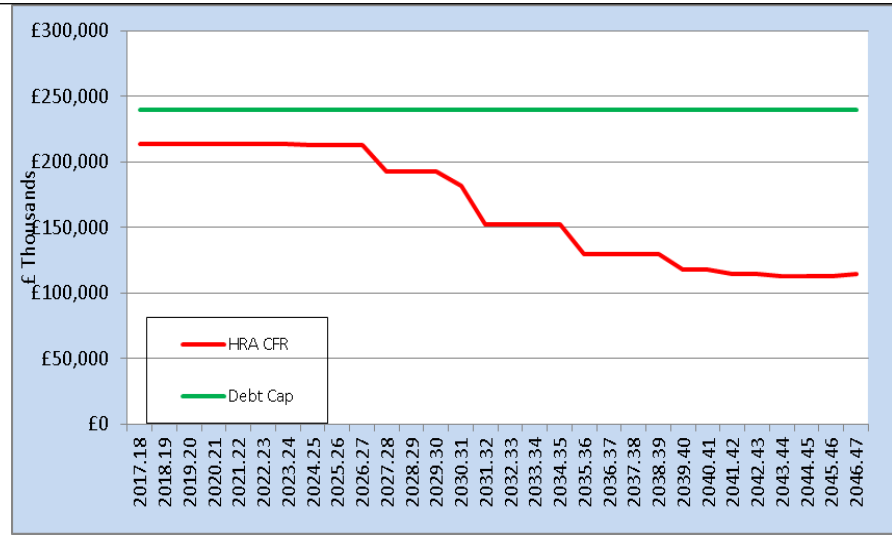
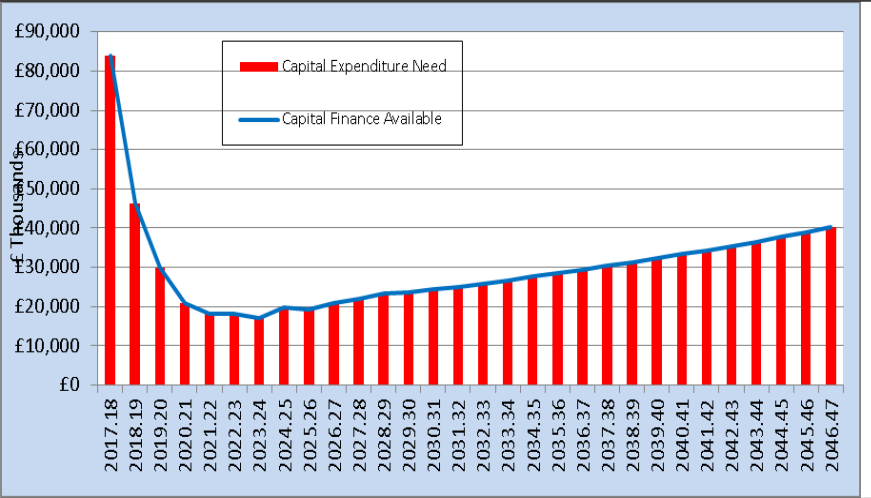
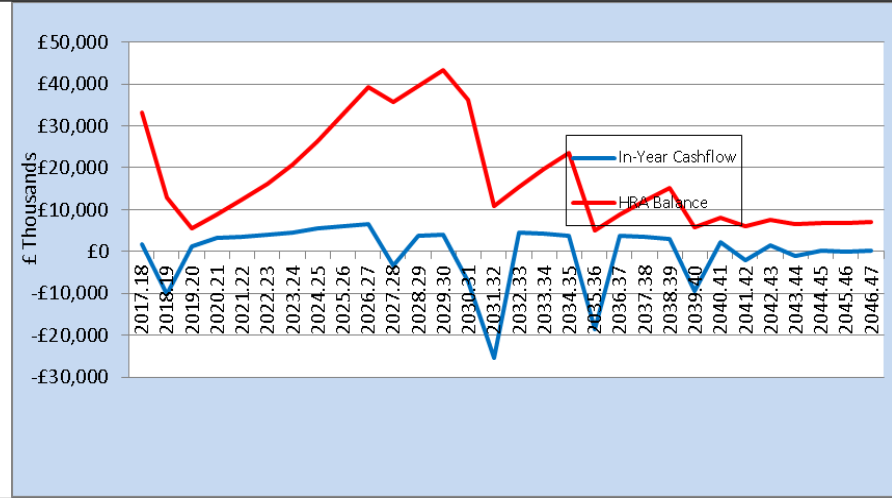
### Assumptions

- Rents -Reduce by 1% per annum until 2019/20, followed by CPI + 1% from 2020/21 to 2024/25 and thereafter CPI (2.2%) only increases
- Cost Inflation -RPI throughout model
- Minimum Balance Required - £3m
- Capital Programme - As per appendix 4
- Total fire safety investment £10m
- Higher Value Voids -Not included
- HRA Levy -Not included
- GP Acceleration - Not included
- Bad debt at 1.5% to take account of Universal Credit
- Additional operating costs of £250k to 2020 for Universal Credit mitigations

Base position shows sustainable HRA over 30 life of business plan



**Appendix 2- HRA Business Plan – Baseline Model + £7.5m additional fire safety expenditure**

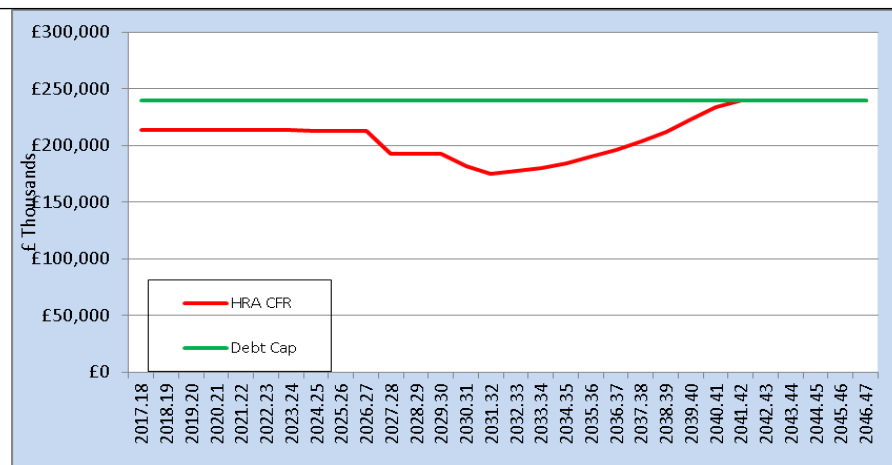
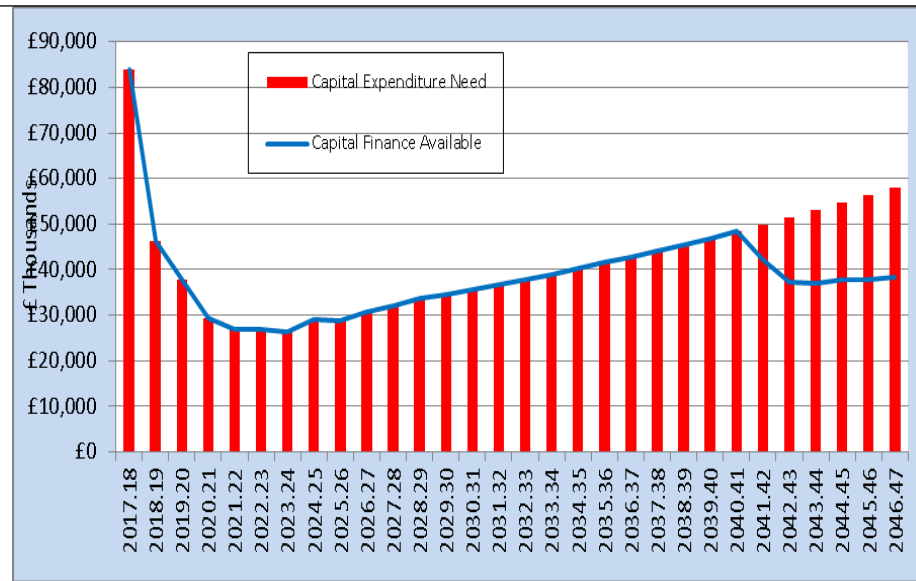
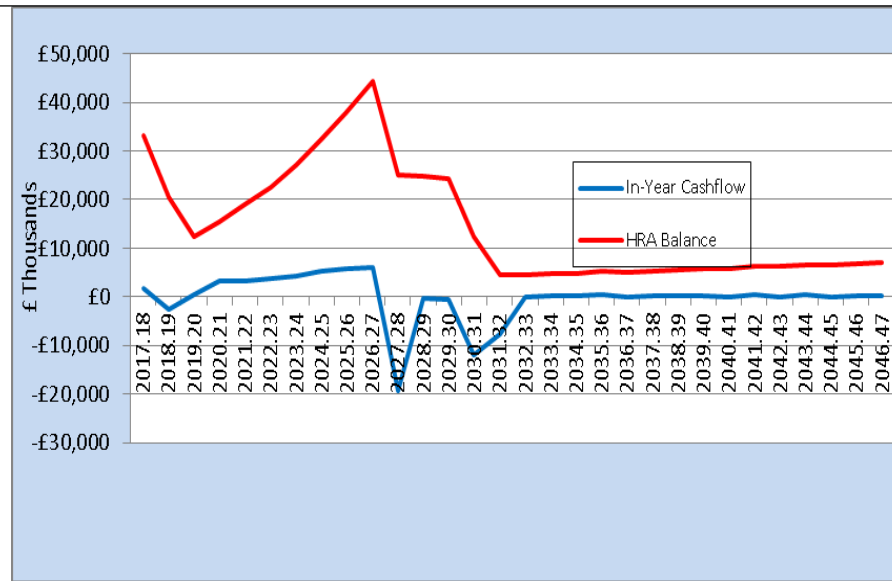


**Assumptions**

- Rents -Reduce by 1% per annum until 2019/20, followed by CPI + 1% from 2020/21 to 2024/25 and thereafter CPI (2.2%) only increases
- Cost Inflation -RPI throughout model
- Minimum Balance Required - £3m
- Capital Programme - As per appendix 4 + extra £7.5m invested in fire safety
- Total investment in fire safety £17.5m
- Higher Value Voids -Not included
- HRA Levy -Not included
- GP Acceleration - Not included
- Bad debt at 1.5% to take account of Universal Credit mitigations

**HRA Business Plan remains sustainable**

**Appendix 3 - HRA Business Plan – Baseline Model + HRA Levy**



**Assumptions**

- Rents -Reduce by 1% per annum until 2019/20, followed by CPI + 1% from 2020/21 to 2024/25 and thereafter CPI (2.2%) only increases
- Cost Inflation -RPI throughout model
- Minimum Balance Required - £3m
- Capital Programme - As per appendix 4
- Higher Value Voids -15 a year sold at £500k each
- HRA Levy -£7.5m a year
- Bad debt at 1.5% to take account of Universal Credit

**Base position shows sustainable HRA until 2041 – 42, or year 24.**

## Appendix 5- HRA Capital Programme to 2022 - Baseline

Capital Programme Description	2017/18	2018/19	2019/20	2020/21	2021/22	Total	Notes
Major Works (excl Granv Rd)	4,534	5,670	5,823	6,970	7,768	30,765	On-going maintenance of Council Housing Stock, including additional investment in fire safety measures.
Regeneration	2,910	1,200	990	525	787	6,412	
Misc – Repairs	2,437	2,784	2,315	2,315	2,324	12,175	
M&E/ GAS	9,790	5,715	5,695	6,125	3,615	30,940	
Voids and Lettings	3,909	3,605	3,605	3,655	3,555	18,329	
Advanced Acquisitions (Regen Estates)	8,757	1,250	0	0	0	10,007	Acquisition of leasehold properties on Regeneration estates in advance of demolition. Some are let at TA, funds will be returned when properties are passed to developers.
Direct Acquisitions	1,672	0	0	0	0	1,672	To facilitate larger scheme
Dollis Valley	8,287	1,500	1,500	1,500	0	12,787	Council's equity share in new properties allocated to existing leaseholders
Moreton Close	12,656	0	0	0	0	12,656	New extra care scheme. 53 units.
Extra Care Pipeline	15,381	12,392	8,877	0	0	36,650	2 New extra care scheme, 100 units to rent, and 25 for sale.
Burnt Oak Broadway Flats	700	3,289	1,000	0	0	4,989	Additional floor added to existing flats to provide 20 flats for affordable rent
Upper & Lower Fosters Community Led Design	600	900	0	0	0	1,500	Initial funding for project
Development Pipeline Stag House	1,206	410	0	0	0	1,616	To facilitate larger scheme
HRA Fire Safety Programme	10,000		0	0	0		Fire safety improvements
<b>HRA Programme</b>	<b>82,839</b>	<b>38,715</b>	<b>29,805</b>	<b>21,090</b>	<b>18,049</b>	<b>180,498</b>	