

	<h2>Housing Committee</h2> <h3>19 October 2015</h3>
<p style="text-align: right;">Title</p>	<p>Housing Revenue Account (HRA) Business Plan</p>
<p style="text-align: right;">Report of</p>	<p>Commissioning Director, Growth and Development</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 which identifies priorities for the HRA including investment in homes and services.

Recommendations

1. That the Committee approve the draft Housing Revenue Account Business Plan as attached in Appendix A.
2. That the Committee delegates further changes to the Housing Revenue Account Business Plan required following the publication of the Housing Bill to the Commissioning Director, Growth and Development in consultation with the Chair of the Housing Committee.
3. That the Committee review the Housing Revenue Account Business Plan every 3 years or more frequently if there are significant changes.

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 already identified 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,
 - Investment in the delivery of 40 new council homes in addition to the three completed at Alexandria Road in April 2014,
 - Investment to provide a new Extra Care housing scheme,
 - A programme of advanced acquisitions on the Council's regeneration estates.
- 1.5 A 30 year HRA Business Plan, attached at Appendix A, has been developed to set out how the Council will manage and maintain the housing stock and properties for investment going forward.
- 1.6 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.
- 1.7 The Business Plan has taken into account the national policy of reducing existing council rents for each of the next four years, as well as assumptions about other housing reforms that are expected to be introduced through the Housing Bill due for publication later this year. As more information about these policies becomes available it will be necessary to review the assumptions in the Business Plan.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Council's housing stock is managed and maintained by Barnet Homes, an Arm's Length Management Organisation, 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 The draft Housing Strategy identifies the need for new affordable homes for rent to meet the needs of a growing population and to help the Council to tackle the increased risk of households facing homelessness. The HRA Business Plan has prioritised the delivery of additional council homes on local authority land to help meet this need.
- 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 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 a review of the asset management strategy to ensure that the best use of resources is made to make sure that homes are well maintained and development of more detailed plans to progress the investment priorities identified as part of the Council's Housing Development Pipeline.

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.

5.2 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 £1,750 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 for the next four years in line with Government Policy and that they will then increase by CPI¹ +1% thereafter. For new council homes it is assumed that affordable rents of 65% of average local market rents (or Local Housing Allowance rate whichever is lower) will be charged, which also aligns with Government policy. This reflects the draft housing strategy which is also being considered by the Housing Committee on 19 October.

5.2.5 The HRA business plan shows that the Council will not be able to fully utilise Right to Buy receipts as the HRA is not able to support a large enough programme of new homes to achieve this. More work will be undertaken to explore options for minimising the amount that has to be returned to the Government, including making use of commuted sums from section 106 agreements.

¹ Consumer Price Index

5.2.6 The forthcoming Housing Bill means that further adjustments may be required to the HRA Business Plan as the detail of changes such as Pay to Stay and the sale of higher value homes becomes known. It is proposed that authority is delegated to the Commissioning Director, Growth and Development in consultation with the Chair of the Housing Committee to make any further changes required.

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 changes anticipated in the forthcoming Housing Bill will have a more significant impact on the HRA Business Plan than has been allowed for. The plan will be kept under review as details of changes proposed become known.

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 The Welfare Reform provisions will see reductions of 1% on existing rents for each of the next four years commencing April 2016, as announced in the budget in July 2015. This has resulted in a reduction in income to the HRA of approximately £15 million which has been factored into our plans.

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
Cabinet Resources Committee 24 June 2013	Decision Item 6 - Local Authority New Housing Programme	http://barnet.moderngov.co.uk/documents/s9244/CRC%20LA%20New%20Build%20public.pdf
Housing Committee 30 June 2014	Decision Item 5 - Business planning – corporate plan and medium term financial strategy 2015-20	http://barnet.moderngov.co.uk/documents/s15740/Housing%20Committee%20Business%20Planning%20-%20Cover%20Report.pdf
Assets, Regeneration & Growth Committee 9 July 2014	Decision Item 11 - Strategic Asset Management Plan principles for consultation	http://barnet.moderngov.co.uk/documents/s16064/Strategic%20Asset%20Management%20Plan%20principles%20for%20consultation.pdf
Policy and Resources Committee 21 July 2014	Decision Item 6 - Finance and Business Planning – Capital programme and review of reserves	http://barnet.moderngov.co.uk/documents/s16150/Finance%20and%20Business%20Planning%20Capital%20programme%20and%20review%20of%20reserves.pdf
Policy and	Decision Item 10 -	http://barnet.moderngov.co.uk/docu

Resources Committee 21 July 2014	Funding for an Extra Care Housing Scheme at Moreton Close, NW7 and Advance Acquisitions of Leasehold properties on Regeneration Estates	ments/s16154/Funding%20for%20an%20Extra%20Care%20Housing%20Scheme%20at%20Moreton%20Close%20NW7%20and%20Advance%20Acquisitions%20of%20Leasehold.pdf
Assets, Regeneration & Growth Committee 8 September 2014	Decision Item 12 - Barnet Development Pipeline	http://barnet.moderngov.co.uk/documents/s17356/Development%20Pipeline%20-%20Report.pdf