

Housing Revenue Account Business Plan 2015

1. Introduction

The Housing Revenue Account (HRA) provides the basis for managing the income and costs associated with managing the council's housing stock and associated assets, which at the start of April 2015 included 10223 homes for rent, 3804 leasehold flats purchased under the Right to Buy, as well as land, shops, community centres and garages.

In April 2012, the national subsidy system for council housing was replaced by self-financing, providing local authorities with much greater control over the way they manage and maintain their housing stock.

For Barnet, this meant a move away from paying back £11.8 million each year to the Treasury in 2011/12, to a position whereby rental income covers the cost of managing and maintaining the stock. This has also resulted in borrowing headroom of £39 million within the Housing Revenue Account (HRA) providing the potential for new investment opportunities, including the building of new council homes.

Since 2012, the Council has identified a number of priorities for making use of the additional investment capacity within the HRA, including:

- Additional investment in existing council homes to ensure that the Decent Homes Standard is maintained and to provide an accelerated programme of essential health and safety works
- Investment in the delivery of 40 new council homes in addition to three that were completed in April 2014
- Investment towards the cost of providing a new extra care housing scheme
- Support for a programme of advanced acquisitions of leasehold flats on the regeneration estates

The Council faces significant pressures in its General Fund Budget, both in terms of requirements to deliver savings and increasing demand for services associated with a rising population; this is impacting significantly on social care and homelessness budgets. The HRA provides an opportunity to mitigate some of this pressure, for example by funding cheaper alternatives to expensive residential care for elderly residents and vulnerable wheelchair users and by providing new affordable homes as an alternative to expensive temporary accommodation for households facing homelessness.

This document sets out the Council's progress so far, plus plans for further investment over the coming five years, as well as the priorities for the housing services funded by the HRA.

2. National Policy Context

The HRA Business Plan takes account of a number of national policies which impact on the income available to the council, including rent policy; the Right to Buy, proposals to require the sale of high value council homes; Pay to Stay and welfare reform.

Rent Policy

National policy on social housing rents 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. The business plan assumes rents will increase by CPI+1% thereafter.

This business plan assumes that affordable rents of 65% of average market rents (or equivalent Local Housing Allowance rate whichever is lower) will be charged for new homes, which is in line with Government Policy and proposed in the Council's draft Housing Strategy.

Right to Buy

The enhancement of the Right to Buy provisions in 2012 has resulted in an increase in sales of council homes and an accumulation of receipts that can be used for providing new homes to replace those that have been sold. The Council has sought to maximise the benefit of receipts received and has embarked on programme of building new council homes, with three already completed and 40 currently being built.

Requirement to sell high value council homes

The Government has announced its intention to require the sale of high value council homes. Full details of how this will work have not yet been provided and this plan will be kept under review as the impact of this policy becomes clearer. For the moment it has been assumed that the most expensive 5% of homes will be sold as they become vacant, and that there will be a requirement to replace these with new stock.

Pay to Stay

The Government is planning to charge close to market rents for tenants whose household income exceeds £40,000. More details on how this will work are expected later this year, but the Council anticipates that this will result in an increase in Right to Buy sales. This plan assumes an extra 10 units each year, but this will need to be kept under review.

Welfare Reform

Welfare reform, including the roll out of Universal Credit, reduction in the benefit cap and a freeze on in work benefits are likely to result in an increase in rent arrears and associated bad debt. Following an assessment of the likely impact of this, bad debt provision in the HRA Business Plan has been increased from 1% of rents due to 1.5%.

3. 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

The Council has also produced a new draft Housing Strategy. This 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.

4. 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

Barnet Homes have identified the following investment needs of £195 million for the housing stock over the coming ten years:

Existing Programme £'000	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Major Works	10,019	5,950	4,950	4,550	4,550	5,730	7,270	7,470	7,970	9,992
Regeneration (essential works)	2,665	1,415	1,270	900	720	2,645	515	335	165	70
Mech. Engineering/Gas	11,003	8,294	7,443	6,592	6,257	7,297	4,867	3,042	2,542	2,392
Voids and Lettings	2,588	3,400	3,400	3,400	3,400	3,450	3,350	3,450	3,300	3,400
Misc. Repairs	2,214	2,345	2,345	2,255	2,205	2,210	2,310	2,380	2,380	2,380
Total	28,488	21,404	19,408	17,697	17,132	21,332	18,312	16,677	16,357	18,234

The programme proposed above is expected to be approved as part of the budget setting process.

A review of the asset management strategy will be completed by December 2015 to ensure that the approach being taken is optimised in terms of making best use of resources whilst ensuring that homes are well maintained.

5. Investment in the delivery of new affordable homes for rent

The Council's draft Housing Strategy 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.

A key element of the Council's approach is to identify underused existing council housing land/sites which can support additional affordable housing. The first three new homes built by the Council for more than 25 years were completed in April 2014 and another 40 are currently in progress. Further sites have been identified which could provide another 500 new affordable homes for rent. The impact of rent reductions means that the HRA will not be able to fund all of these new homes, and the Council is currently considering an approach whereby Barnet Homes will seek Registered Provider status which will enable it to develop, manage and own new homes on HRA land. This would be funded outside of the Housing Revenue Account.

This approach will enable the Council to use the HRA headroom combined with Right to Buy receipts and commuted sums to expand the supply of affordable homes through a programme of acquiring properties on the open market in cheaper areas. In addition, there are a limited number of schemes where it will still be appropriate for the Council to fund them through the HRA. An example of this is a proposal to add an additional floor to an existing block of flats which will provide 20 new homes.

There are also opportunities for housing development on General Fund land held by the Council to provide a mixture of homes for sale and rent, including affordable properties in line with the Local Plan requirements. There is limited scope for use of HRA funds on these sites due to the rules governing HRA expenditure and the Council is developing an alternative approach based on mixed tenure developments funded through sales.

Appendix 1 provides an overview of two scenarios for the HRA. The first uses HRA funding for delivery of new homes on council housing land, and would only deliver a modest increase in affordable housing. The second scenario uses HRA funding for acquiring homes on the open market, with new homes on existing council housing land funded outside of the HRA. The second scenario will deliver a bigger increase in the number of affordable homes.

In both scenarios, the Council will not be able to fully utilise Right to Buy receipts, and further work will be done to explore options for minimising the amount that may have to be returned to the Treasury, for example by utilising section 106 commuted sums.

6. 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 net annual cost (net of income) of providing short term 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 £200,000 a year in temporary accommodation costs which fall on the General Fund, as well as providing a better outcome for households facing homelessness.

7. 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. Plans are already in place to redevelop an existing sheltered housing scheme in Moreton Close as 50 units of extra care housing. This should be completed during 2017. In addition, the Council intends to provide a further extra care scheme at Brent Cross/Cricklewood. Both extra care schemes will be funded through a mixture of HRA, General Fund and commuted sums.

Wheelchair housing

The Council has identified nine clients, currently in residential care, who would benefit from wheelchair adapted housing. It is estimated that for each client rehoused will generate a General Fund saving of £50,000 a year. Barnet Homes are already building four wheelchair adapted homes as part of the 40 new homes currently on site referred to in section 4. Additional wheelchair adapted homes will be provided as part of the on-going programme of building affordable homes. Further work is underway to identify the level of need for these going forward. Wheelchair housing is also provided by Registered Providers and private developers through the planning system.

8. 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.

The Council has recently 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 has led to the development of a new ten year management agreement, effective from 1st 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.

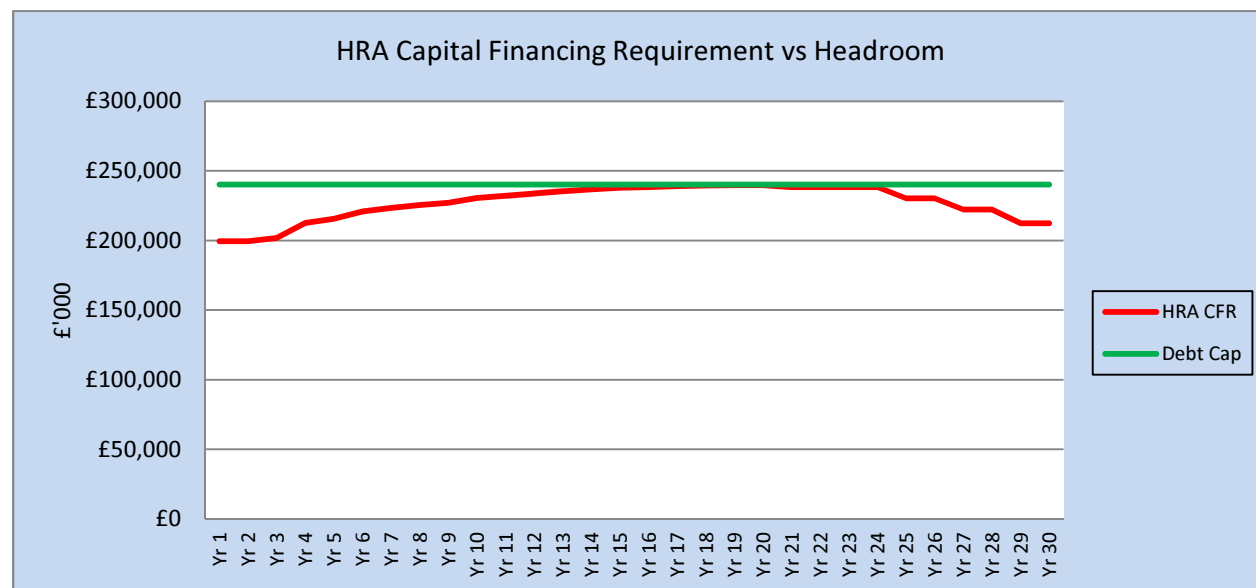
Savings target	Savings achieved through:
£1.839 million	<ul style="list-style-type: none"> • Management and repairs savings due to forecast stock losses through estate regeneration and Right to Buy sales, • Value for money service reviews.
£0.937 million	<ul style="list-style-type: none"> • Procurement and enhancing the value of existing contract arrangements • Reduced accommodation costs due to less floor space at Barnet House • New ways of working through more effective use of IT.
£0.77 million	<ul style="list-style-type: none"> • Stopping some of the 'non-essential' works provided by Barnet Homes, • Re-prioritisation of certain types of non-urgent repairs.
£2.853 million total	

Appendix 1 – overview of HRA Business Plan to 2025

Scenario 1

- Complete existing schemes for 40 new council homes and Moreton Close extra care
- 120 new council homes on existing council land
- Additional 50 unit extra care scheme at Brent Cross

Year	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45
£'000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Income	62,818	60,178	58,762	56,519	56,316	57,326	58,256	58,715	60,361	62,054	63,794	65,582	67,422	69,312	71,256	73,255	75,309	77,421	79,593	81,826	84,121	86,481	88,907	91,401	93,965	96,601	99,311	102,098	104,963	107,908
Expenditure	-30,000	-31,686	-31,693	-31,843	-31,529	-32,310	-33,145	-34,048	-34,984	-35,880	-36,780	-37,703	-38,648	-39,618	-40,611	-41,630	-42,674	-43,744	-44,841	-45,966	-47,119	-48,301	-49,512	-50,754	-52,027	-53,332	-54,670	-56,041	-57,447	-58,888
Gross Income	32,818	28,492	27,069	24,676	24,787	25,016	25,111	24,667	25,377	26,173	27,013	27,880	28,773	29,695	30,645	31,625	32,635	33,677	34,752	35,860	37,002	38,180	39,394	40,647	41,938	43,269	44,642	46,057	47,516	49,020
Interest etc	-20,166	-20,053	-19,907	-19,832	-20,030	-20,570	-20,986	-21,163	-21,402	-21,769	-22,254	-22,653	-23,300	-23,848	-24,248	-24,444	-25,415	-25,872	-26,255	-26,628	-27,221	-27,729	-28,107	-28,484	-29,077	-29,279	-29,841	-29,927	-30,514	-30,668
Net Operating Income	12,653	8,440	7,163	4,844	4,757	4,446	4,125	3,504	3,975	4,404	4,759	5,227	5,473	5,847	6,397	7,181	7,221	7,806	8,497	9,231	9,781	10,450	11,287	12,162	12,860	13,990	14,801	16,130	17,002	18,352
Appropriations	-2,095	-19,506	-18,670	-4,679	-4,841	-4,353	-4,085	-3,435	-3,889	-4,311	-4,689	-5,136	-5,334	-5,803	-6,299	-7,118	-7,068	-7,718	-8,389	-8,697	-10,149	-9,171	-9,417	-9,670	-18,149	-10,196	-18,381	-10,751	-22,134	-12,540
Annual Cashflow	10,557	-11,066	-11,508	165	-84	93	39	68	86	93	70	90	139	43	98	62	153	88	108	534	-368	1,279	1,870	2,492	-5,288	3,794	-3,580	5,379	-5,132	5,812
Opening Balance	14,942	25,499	14,433	2,925	3,091	3,007	3,099	3,139	3,207	3,293	3,386	3,456	3,547	3,686	3,729	3,827	3,889	4,042	4,130	4,239	4,772	4,404	5,683	7,553	10,045	4,757	8,551	4,970	10,349	5,217
Closing HRA Reserve	25,499	14,433	2,925	3,091	3,007	3,099	3,139	3,207	3,293	3,386	3,456	3,547	3,686	3,729	3,827	3,889	4,042	4,130	4,239	4,772	4,404	5,683	7,553	10,045	4,757	8,551	4,970	10,349	5,217	11,030
Capital Expenditure	-42,325	-36,567	-45,934	-32,013	-21,411	-21,791	-19,095	-17,853	-17,959	-20,591	-19,683	-20,193	-20,748	-21,313	-21,853	-22,396	-22,991	-23,658	-24,334	-24,961	-25,581	-26,216	-26,866	-27,533	-28,216	-28,917	-29,634	-30,370	-32,293	-33,100
Borrowing Headroom	40,484	40,484	38,277	27,507	24,403	19,223	16,579	14,579	13,075	9,658	7,833	6,257	4,645	3,264	2,174	1,705	940	518	460	460	1,678	1,678	1,678	1,678	9,897	9,897	17,808	17,808	27,733	27,733



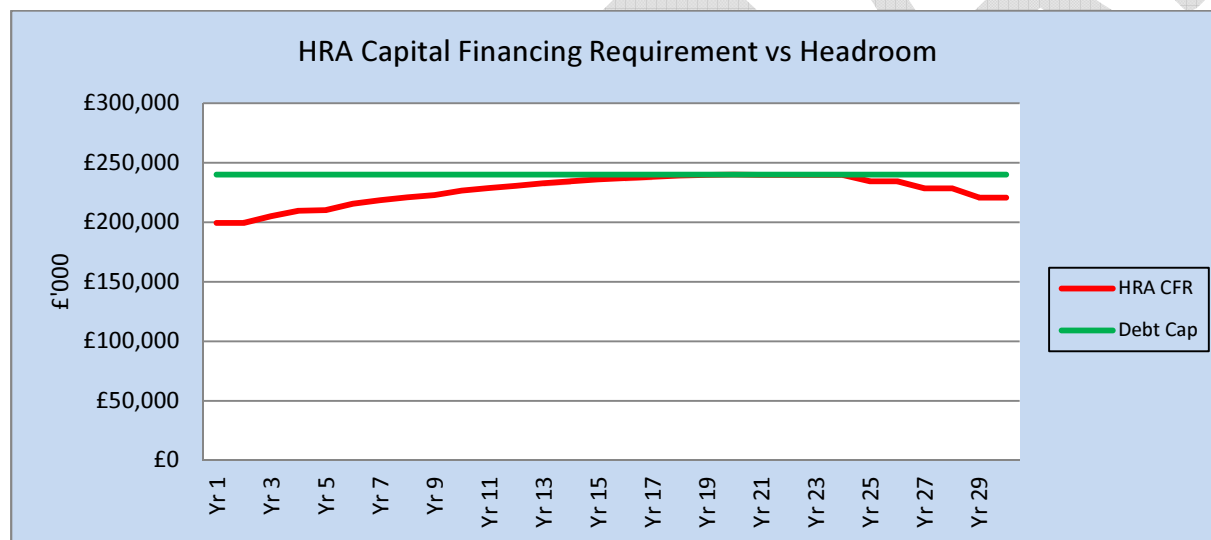
HRA Capital Financing Requirement (i.e. borrowing) remains within headroom of £240m throughout 30 year life of the HRA Business plan.

The Council will keep the plan under review to ensure that the headroom is not breached.

Scenario 2

- Complete existing schemes for 40 new council homes and Moreton Close extra care
- 20 new council homes through infill programme
- 55 acquisitions of homes for use as council housing
- Additional 50 unit extra care scheme at Brent Cross
- Additional Homes provided by Barnet Homes RP outside of HRA

Year	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45
£'000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Income	62,818	60,269	58,969	56,523	55,905	56,726	57,638	58,078	59,706	61,379	63,098	64,866	66,684	68,553	70,474	72,449	74,479	76,566	78,712	80,918	83,186	85,518	87,915	90,380	92,913	95,518	98,196	100,949	103,779	106,688
Expenditure	-30,000	-31,687	-31,696	-31,844	-31,526	-32,306	-33,140	-34,017	-34,906	-35,782	-36,679	-37,599	-38,542	-39,509	-40,499	-41,515	-42,556	-43,624	-44,718	-45,839	-46,989	-48,168	-49,376	-50,614	-51,884	-53,185	-54,519	-55,886	-57,288	-58,725
Gross Income	32,818	28,582	27,273	24,679	24,379	24,421	24,498	24,062	24,799	25,597	26,419	27,267	28,142	29,044	29,974	30,933	31,923	32,943	33,994	35,079	36,197	37,351	38,540	39,766	41,030	42,333	43,677	45,062	46,491	47,963
Interest etc	-20,166	-20,114	-20,049	-19,971	-19,970	-20,388	-20,811	-21,007	-21,265	-21,650	-22,154	-22,573	-23,242	-23,813	-24,236	-24,458	-25,456	-25,943	-26,356	-26,758	-27,372	-27,925	-28,317	-28,709	-29,330	-29,633	-30,222	-30,381	-30,999	-31,237
Net Operating Income	12,652	8,469	7,223	4,708	4,410	4,032	3,687	3,055	3,534	3,947	4,265	4,694	4,900	5,231	5,738	6,475	6,466	7,000	7,639	8,321	8,825	9,426	10,222	11,056	11,700	12,700	13,455	14,681	15,492	16,726
Appropriations	-2,144	-27,185	-10,943	-4,693	-4,442	-3,919	-3,648	-2,987	-3,462	-3,841	-4,208	-4,605	-4,747	-5,201	-5,641	-6,399	-6,313	-6,927	-7,531	-8,209	-8,756	-8,819	-9,057	-9,300	-14,868	-9,808	-16,139	-10,343	-19,583	-12,111
Annual Cashflow	10,508	-18,716	-3,720	16	-33	113	39	68	72	106	57	89	153	29	97	76	153	73	108	112	69	607	1,166	1,756	-3,169	2,892	-2,684	4,338	-4,091	4,615
Opening Balance	14,942	25,450	6,734	3,013	3,029	2,996	3,110	3,149	3,217	3,289	3,395	3,452	3,542	3,695	3,724	3,821	3,897	4,050	4,124	4,232	4,343	4,412	5,019	6,185	7,941	4,772	7,664	4,979	9,318	5,227
Closing HRA Reserve	25,450	6,734	3,013	3,029	2,996	3,110	3,149	3,217	3,289	3,395	3,452	3,542	3,695	3,724	3,821	3,897	4,050	4,124	4,232	4,343	4,412	5,019	6,185	7,941	4,772	7,664	4,979	9,318	5,227	9,842
Capital Expenditure	-42,395	-47,570	-39,670	-23,511	-16,917	-21,791	-19,095	-17,839	-17,920	-20,541	-19,632	-20,140	-20,678	-21,214	-21,740	-22,280	-22,872	-23,509	-24,134	-24,738	-25,351	-25,981	-26,625	-27,286	-27,963	-28,657	-29,368	-30,097	-32,013	-32,814
Borrowing Headroom	40,484	40,484	34,988	30,252	29,971	24,436	21,435	19,084	17,277	13,526	11,361	9,398	7,362	5,574	4,037	3,065	1,768	811	203	50	218	218	218	218	5,535	5,535	11,603	11,603	19,396	19,396



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The Council will keep the plan under review to ensure that the headroom is not breached.