

Housing Committee

14 January 2019



Title	Housing Revenue Account (HRA) Business Plan
Report of	Councillor Gabriel Rozenberg
Wards	All
Status	Public
Urgent	N/a
Key	Yes
Enclosures	Appendix 1- Housing Revenue Account Business Plan Appendix 2 – Right to Buy Ring-Fence Offer – template letter
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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. This report provides an update of the 30 year HRA Business Plan taking into account the removal of the HRA debt cap by the government on 29th October 2018, and the opportunities that this provides increase the supply of affordable housing in Barnet. The plan has also been updated to reflect progress since 2017 and to take account of the need for extra investment in fire safety measures.

Officers Recommendations

- 1. That the Committee approve the draft Housing Revenue Account Business Plan as attached in Appendix 1.**
- 2. That the Committee approve the proposal to enter into an agreement with the Greater London Authority on Right-to-Buy receipts as attached at Appendix 2.**

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 included a debt cap of £240m which 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 In October 2018, the government removed the debt cap and the HRA is now subject to the same prudential borrowing rules as the General Fund.
- 1.5 The removal of the debt cap provides an opportunity to increase the supply of affordable homes in the borough as it means that the council can borrow more to support the acquisition or building of new homes
- 1.6 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 priorities for investment going forward.
- 1.7 In addition, following the Grenfell Tower fire in June 2017, the plan now includes additional proposals for investing in fire safety improvements to the council's housing stock.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The HRA Business Plan provides an important mechanism for ensuring that the council's housing stock is well managed and maintained, and that investment is made in ensuring the safety of residents.
- 2.2 Following the removal of the HRA borrowing cap, there are new opportunities to increase the supply of affordable housing in the borough.
- 2.3 Entering into an agreement with the Greater London Authority on Right to Buy Receipts will ensure that the council still has access to receipts that it might have to otherwise repay to the Treasury.

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 Proposals for the transfer of some properties in the HRA to Opendoor Homes as they become empty will be developed in more detail and presented to the Housing Committee and Assets Regeneration Committee during the summer 2019 for consideration.
- 4.2 Proposals for acquiring homes on the open market will be submitted to the Assets Regeneration Committee in January 2019 for consideration.
- 4.3 Proposals for building additional affordable homes for rent funded through the HRA will be developed as part of the council's development pipeline and be submitted to the Assets Regeneration Committee for consideration.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The council has produced a new draft Corporate Plan Barnet 2024 which sets the vision and strategy for the next five years which focuses on three main outcomes:
- A pleasant, well maintained borough that we protect and invest in
 - Our residents live happy, healthy, independent lives with the most vulnerable protected
 - Safe and strong communities where people get along well
- 5.1.2 In addition, the council is consulting on a revised draft Housing Strategy which sets out the plans to meet housing need in the borough with a focus on the following priorities:
- Raising standards in the private rented sector
 - Delivering more homes that people can afford
 - Safe and Secure Homes
 - Promoting independence
 - Tackling homelessness and rough sleeping in Barnet
- 5.1.3 The HRA Business Plan contributes to the Housing Strategy in a number of ways, including:
- Maintaining the quality and safety 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

5.1.4 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 HRA 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 built or acquired 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 £1,900 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 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 March 2020 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 or local housing allowance whichever is lower will be charged, in line with the council's rent policy).

5.2.5 The HRA Business Plan model shows that a reduction in revenue expenditure of approximately £1m will be needed in 2020/21 to ensure that the HRA maintains a reserve of at least £3m, the minimum amount considered to be prudent. The council will work with Barnet Homes to identify options for achieving this reduction, which will be reflected in the next update of the plan.

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 Article 2 of the council's Constitution defines a 'key decision' as 'one which will result in the council incurring expenditure or savings of £500,000 or more, or is significant in terms of

its effects on communities living or working in an area comprising two or more Wards'

5.4.3 Article 7 of the council's Constitution states the Housing Committee's functions include Housing Strategy, homelessness, social housing and housing grants and commissioning of environmental health functions for private sector housing. The Housing Committee's functions also includes receiving reports on relevant performance information and risk on the services under the remit of the Committee.

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.

5.6 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 applicants 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.

5.7 Corporate Parenting

5.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. The HRA Business Plan proposals will ensure that existing council properties, some of which are used to provide housing for foster parents and care leavers are managed and maintained. In addition, the HRA Business Plan supports an increase in the supply of affordable housing, including larger properties, some of which will provide housing suitable for foster parents and care leavers.

5.8 Consultation and Engagement

5.8.1 The council consults with tenants, residents and stakeholders on the 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.

5.9 Insight

5.9.1 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
Housing Committee 10 October 2018	Approval of draft Housing Strategy and Homelessness and Rough Sleeping Strategy	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=9487&Ver=4
Housing Committee 23 October 2017	Approval of HRA Business Plan	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=9237&Ver=4
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

