

	<h2>Housing and Growth Committee</h2> <p>27 January 2020</p>
<p style="text-align: center;">Title</p>	<h3>Housing Revenue Account (HRA) Business Plan</h3>
<p style="text-align: center;">Report of</p>	<p>Chairman of Housing and Growth Committee</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Urgent</p>	<p>N/a</p>
<p style="text-align: center;">Key</p>	<p>Yes</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1- Housing Revenue Account Business Plan</p> <p>Annex A – Baseline Model</p> <p>Annex B – Scenario two baseline model</p> <p>Annex C – Proposal HRA Capital programme to 2024</p> <p>Annex D - Trickle Transfer Business Case</p> <p>Annex E – HRA budget</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. This report provides an update of the 30-year HRA Business Plan since it was last reported to the Housing Committee in January 2019.

The report also provides more information about proposals to transfer empty properties from the HRA to TBG Open Door Limited, a registered provider owned by the council's Arms

Length Management Organisation Barnet Homes Ltd, and seeks approval to proceed with an application to the Secretary of State for consent for this.

Officers Recommendations

1. **That the Committee approve the draft Housing Revenue Account Business Plan as attached in Appendix 1.**
2. **That the Committee agrees that the Deputy Chief Executive may proceed with an application for the Secretary of State for Housing, Communities and Local Government for consent to proceed with transferring empty properties from the Housing Revenue account to Opendoor Homes, provided full Council give approval to this.**
3. **That the Committee authorises the Deputy Chief Executive to enter into an agreement with the Greater London Authority to charge London Affordable Rents for the transferred properties.**
4. **That the Committee authorises the Deputy Chief Executive to approve the transfer of up to 950 individual properties from the HRA to Opendoor Homes as they become vacant, subject to obtaining consent from the Secretary of State.**

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 prudential borrowing rules that are similar to those for 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, including investment in fire safety improvements and new affordable homes for rent.
- 1.7 The Housing Committee in November 2018 previously agreed in principle to proposals to transfer 950 council homes to Opendoor Homes, and this report provides more detailed

information about this proposal and seeks approval from members to proceed with making an application to the Secretary of State for their consent to do this.

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 The transfer of properties from the council to Opendoor Homes will provide financial benefits to the council which can be used to support housing services provided to homeless people.
- 2.4 The transfer of properties from the council to Opendoor Homes will also increase the asset base of the Housing Association, enabling them to build more affordable homes.

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 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 Housing & Growth Committee for consideration.
- 4.2 An application for consent to transfer up to 950 council homes to Opendoor Homes will be submitted to the Secretary of State for Housing, Communities and Local Government if approved by full Council.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The council's Corporate Plan Barnet 2024 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 agreed a new Housing Strategy in April 2019 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 £2,000 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 only. 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 proposal to transfer 950 council properties to Opendoor Homes is expected to have a neutral impact on the HRA Business Plan, as existing debt, management and repair costs will transfer in full to Opendoor Homes.

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'. Key decisions are to be taken by the relevant Committee unless reserved to full Council.

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

5.4.3 The transfer of property held in the Council's Housing Revenue Account requires consent from the Secretary of State for Housing and Local Government under section 32 of the Housing Act 1985. Transfer at under value requires consent from the Secretary of State under section 123 of the Local Government Act 1972. Financial assistance for privately let housing requires the consent of the Secretary of State under section 25 of the Local Government Act 1988; if consent is obtained under this section, it is not necessary to obtain a separate consent under section 32 of the 1985 Act or section 123 of the 1972 Act.

5.4.4 Article 4 of the Council's Constitution reserves to full Council the approval of applying to the Secretary of State for consent to Housing land transfer, which in this article means the disposal of 500 or more properties. It will be necessary to request approval from full Council to the proposed application for consent to the Secretary of State.

5.4.5 Transfer of properties at undervalue is potentially state aid notwithstanding any consent received from the Secretary of State under the statutes mentioned above. This would be unlawful except that the proposals can fall within a permitted exception, and the lawyers dealing are to be instructed to cover this.

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) foster 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.
- 5.6.3 An equalities impact assessment has been carried out and concluded that the proposal presents no unlawful discrimination as it will apply equally to all individuals. Whilst the trickle transfer of properties is in isolation unlikely to advance equality of opportunity, the wider benefits and outcomes of the proposal are likely to have a positive impact on those with protected characteristics.

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 14 January 2019	Approval of HRA Business Plan	http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=699&MId=9488&Ver=4
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