

## Appendix A - HRA Business Plan – May 2021

### 1. Introduction

The council's Housing Revenue Account (HRA) is funded through rents and service charges received from council tenants and leaseholders, it 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 have been restrictions on both the amount the HRA can borrow and the rents that can be charged.

The government removed the borrowing cap in October 2018 and borrowing in the HRA is now subject to the similar prudential guidelines as the General Fund, providing opportunities for increasing affordable housing supply supported by the HRA.

Recent changes in Right to Buy receipts has meant that receipts now have 5 years to be utilised for the provision of replacement homes, rather than the 3 years in the past and the amount that can be used has increased from 30% to 40% of the development spend.

The HRA Business Plan has been updated with support from housing consultants Savills and in partnership with Barnet Homes.

### 2. Executive Summary

Good progress has been made since 2015 on delivering the HRA business plan. Headlines include; the completion of 43 new council homes for rent, a 53-unit extra care housing scheme at Ansell Court in Mill Hill and the acquisition of 93 properties in London to let at affordable rents to homeless applicants. Grant has been secured from the Greater London Authority under the Building Council Homes for Londoners Programme to support the building of 87 new council homes in Barnet, the 18 new homes as part of the top hatting scheme at Burnt Oak Broadway and for the HRA 250 home programme which includes a scheme at The Grange estate in East Finchley.

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 in 2017, 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 through an investment programme totalling £51.9m, of which £34m has been spent to the end of March 2021.

The council has continued to invest in existing council homes which continue to be maintained to the Decent Homes standard.

Other projects to be supported by the HRA Business Plan include two additional extra care schemes, providing 125 new homes.

This updated plan identifies provision for building a further 250 new homes for rent in the borough, and investment of £36 million in properties that continue to be occupied on our regeneration estates at Grahame Park and Dollis Valley. Savills was commissioned to carry out a stock condition survey; which included estimating costs to achieve EPC C targets by 2030 and also the Government Clean Growth Strategy.

The current year plan has also made provision for £13.4m of new spend for environmental works to shared and communal spaces as well as an initial £27m towards achieving carbon neutrality across the stock by 2050. The estimated costs for achieving carbon neutral by 2050 is estimated by Savills to be significantly higher than this £27m; but there are still significant unknowns as to what technology options there will be available to assist, as well as what grant funding there will be from Government.

### **3. National Policy Framework**

From 2012 HRAs became self- financing with a restriction placed on their external borrowing. In October 2018, the government removed the debt cap and HRA borrowing is now subject to the similar prudential borrowing guidelines as the General Fund. The removal of the borrowing cap means that council has an opportunity to invest more in increasing the supply of affordable housing, but it needs to ensure it can meet the cost of the borrowing.

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. This requirement reduced the revenue available to the HRA. In October 2017, the government announced that it intends to allow registered providers and local authorities to increase rents by the Consumer Price Index (CPI) plus 1% for at least five years from April 2020. The Business Plan assumes that rents will increase by the allowable amount until 2025 and then at CPI from 2025.

The roll out of Universal Credit for new applicants and where there is a change in circumstances for existing claims is now underway in Barnet. The impact of this on rent collection and associated bad debt is being closely monitored.

#### **Corporate Priorities**

The Barnet Plan 2021-2025 sets out the council's vision to make Barnet a great place to live work and visit. It focusses on four priorities over the next 4 years to realise this vision:

- Clean, safe and well run: A place where our streets are clean and anti-social behaviour is deal with so residents feel safe. Providing good quality, customer friendly services in all that we do

- Family friendly: Creating a Family Friendly Barnet, enabling opportunities for our children and young people to achieve their best
- Healthy: A place with fantastic facilities for all ages, enabling people to live happy and healthy lives
- Thriving: A place fit for the future, where all residents, businesses and visitors benefit from improved sustainable infrastructure & opportunity.

In April 2019 the council agreed a new 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

The HRA Business Plan complements 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.

#### **4. Maintaining the quality and safety 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 has 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 others health.
- Ensure operators maintaining the buildings can carry out work in a safe manner and without detriment to health.
- 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
- Recognise legislation regarding the Government targets of Carbon Neutrality by 2050
- Inform the 30-year HRA business plan

To ensure that our investment plans going forward are based on a robust and accurate assessment of the stock, Barnet Homes commissioned a stock condition survey of 20% of the housing stock internally and 100% externally, the results of which identified an additional £75m of spend required for the stock over a 30-year period when compared to the prior year business plan. The business plan also makes provision for further stock condition surveys to be carried out in future years to ensure 100% coverage of all stock and the most efficient use of capital programme resources.

### **Building and Fire safety**

Following the Grenfell Tower disaster in June 2017, the council has responded by developing a £51.9 million investment programme to improve fire safety in its housing stock, including the replacement of Aluminium Composite Material (ACM) on blocks at Granville Road (completed 2018), and the installation of sprinklers in high rise blocks. £34m of this investment programme has been spent to date.

'Building a Safer Future' is a government-led initiative in response to the Grenfell Tower tragedy. It is a framework within which the shortcomings identified in the post-Grenfell review of Building Regulation and Fire Safety can be addressed. These shortcomings include the way high-rise residential buildings are built and managed. BSF is also intended to deal with situations where residents may raise concerns about the safety of their buildings, which they may feel are not taken seriously by their landlord.

Two key pieces of legislation support this initiative – the Building Safety Bill and the Fire Safety Bill, both of which are expected to receive Royal Assent in the second half of 2021. The new Building Safety Regulator, working under the responsibility of the Health and Safety Executive and with responsibility for 'high risk' / 'in-scope' buildings (e.g. residential blocks over 18 metres, but other criteria may be defined through subsequent statutory instruments) is unlikely to be fully operational until 2023/24.

Following the consultation and formal introduction of the Bills it is inevitable that there will be additional requirements for other enhanced aspects of building and fire safety and ongoing management of our buildings and the wider housing stock within the borough. An additional £0.75m per annum has therefore been included as revenue

expenditure within the plan to deliver the requirements of ‘Building a Safer future’ and associated legislation.

## Estate Regeneration

The council recognises that its ambitious programme to regenerate its four largest council estates has taken much longer to deliver than originally envisaged. In view of this, significant investment is required by the council in properties at **Grahame Park** over the next 3 years. The council will ensure that homes at Grahame Park programmed to be occupied until 2024 remain compliant with statutory landlord obligations. Properties due to remain occupied beyond 2024 will be improved to meet the Decent Homes standard. These works are summarised below:

Table 1 – Approach to investment in homes at Grahame Park Estate	
Homes to continue in occupation to 2024	Compliance works, Electrical Rising Main, Electrical Testing and Rewires, Fire enhancement works, partial window replacements, ASB works such as external perimeter lighting, entry phones/renewal of entrance doors and Housing Health and Safety Rating System works.
Homes to continue in occupation beyond 2024	As above and including repair/renewal of bathrooms and kitchens, roof and windows replacement.

The council is exploring with Barnet Homes options for accelerating the regeneration in the North of Grahame Park supported subject to viability by the Housing Revenue Account. It is hoped that this will be the subject of a report to the June Housing & Growth Committee.

Significant regeneration has taken place at Dollis Valley. The remaining council homes at **Dollis Valley** were due to be vacated between 2022 and 2025. Discussions are taking place between the Council/Re and the developers, with the possibility that all phases will now have a vacant possession date of 2025. These properties were built using the large panel system (LPS) method and in view of recent concerns raised about this type of construction and following discussions with Cadent Gas, Barnet Homes have replaced the gas fuel heating and hot water systems to homes in blocks of 5 storey and above with all-electric systems. Subsequently, piped gas systems have been disconnected. As running costs associated with the electric systems will be higher than gas, the council will need to compensate residents for any additional cost and adequate provision has been made in the plan for this.

The following table shows the total investment plans for the council's housing stock through to 2026 (at current values, no inflation):

Financial £'000	Year	2021.22	2022.23	2023.24	2024.25	2025.26	Total
<b>STOCK CAPITAL INVESTMENT</b>							
<b>Major Works</b>		£13,942	£15,517	£15,517	£15,517	£20,713	£81,206
<b>M&amp;E/ GAS</b>		£4,400	£4,400	£4,400	£4,400	£ -	£17,600
<b>Adaptations (voids)</b>		£685	£2,000	£1,624	£1,200	£1,200	£6,709
<b>Fire safety programme</b>		£11,114	£5,401	£1,315	£ -	£ -	£17,830
<b>Additional Regeneration</b>		£21,069	£8,545	£110	£110	£ -	£29,834
<b>Neighbourhood works</b>		£ -	£2,230	£2,230	£2,231	£1,338	£8,029
<b>Carbon Neutral works</b>		£ -	£667	£667	£666	£1,000	£3,000
<b>Totals</b>		<b>£51,210</b>	<b>£38,760</b>	<b>£25,863</b>	<b>£24,124</b>	<b>£24,251</b>	<b>£ 164,208</b>

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

### New Build Programme

The council's Housing Strategy 2019-2024 sets out the need for more affordable homes in the borough. In order to deliver on this, local authority land, including land held in the HRA, can be made available to provide sites for new housing, either at affordable rent or for low cost home ownership.

Barnet Homes completed the first tranche of 43 new council homes by Summer 2016 and in Autumn 2018 a GLA grant of £8.7m was secured for a further 87 new homes. Plans for the delivery of these properties are progressing.

Barnet Homes have established a Registered Provider (RP), Opendoor Homes, which is delivering 341 new affordable homes for rent on council land, primarily in the HRA. 161 of these have been completed and are now occupied.

This approach means that whilst the HRA supports the developments by providing land at nil cost, the development costs of the new homes are funded by a loan to Opendoor Homes from the council. The council retains 100% nomination rights to the properties that are built. Additionally, Opendoor Homes is delivering a policy compliant mixed tenure scheme at Hermitage Lane which will produce a further 21 affordable homes.

Further work has been carried out on the capacity of HRA sites to deliver additional homes, and several sites have been identified which are expected to provide

approximately 250 new council homes for affordable rent over the next five years. Work has commenced on consulting on the first scheme of this programme in respect of around 100 homes potentially at The Grange.

The council will continue to work with Opendoor Homes, with a focus on mixed tenure developments outside of the HRA. However, the council will consider transferring HRA land to the RP where there is a good case for doing so, for example where the HRA does not have the capacity to fund a development or where it is more suitable for mixed tenure scheme.

### **Acquisitions Programme**

To make effective use of the council's Right- to-Buy receipts, HRA funding has already been used to support the purchase 93 properties across London which have been let at affordable rents via the council's Housing Allocations Scheme.

The council's Housing Strategy has identified the need to maintain a supply of larger affordable units and will ensure that some of the units acquired units have three or more bedrooms.

Recent changes to the use of Right to Buy Receipts has placed a greater emphasis on new build supply and as such it is less likely that this money will be available to support future acquisitions programmes.

## **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 and offer households in this position a better outcome.

At present the average net annual cost of providing temporary accommodation is £3,400 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 for every 100-additional new affordable homes built or acquired, the council will save at least £0.340m in temporary accommodation costs within in the General Fund.

## **7. Investment in new homes for vulnerable people**

The council has identified a need for additional extra care housing for older people and homes for wheelchair users. As a result, investment is being targeted in two particular areas set out below.

## **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 if there was availability within extra care housing. This equates to approximately 90 households every year.

Each client placed in extra care housing provides a saving of £10,000 a year compared to the cost of residential care. The first extra care scheme completed during 2019 at the 53-home extra care sheltered housing scheme at Ansell Court.

The council and Barnet Homes are progressing well with the next 51 home extra care scheme at Stag House in Burnt Oak and another 75-home scheme as part of community led development plans for the Upper and Lower Fosters estate in Hendon which started on site in March 2021. Both schemes will be funded through the HRA and with grant from the GLA.

## **Wheelchair housing**

The council has identified a number of people currently in residential care, who would benefit from wheelchair adapted housing. It is estimated that for each person rehoused a saving of up to £50,000 will be generated in the General Fund. Barnet Homes has already built 29 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 six above. This complies with the local plan requirement that at least 10% of new homes should be wheelchair accessible or easily adapted for wheelchair users.

## **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 service. which is responsible for the assessment 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 were of a satisfactory standard and provided 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 secured savings worth £2.15m over the first five years of the agreement. This sum is equivalent to a 10% budget reduction and has had minimal impact on the effectiveness of services, whilst freeing up HRA resources for investment in further new homes.

## 9. Right to Buy Receipts

The Right-to-Buy scheme was reinvigorated in 2012 through the introduction of more generous discounts for tenants wishing to buy their council property. 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 six above, including 44 newly built council homes and 20 homes acquired on the open market for affordable rent. A recent announcement by MHCLG regarding Right to Buy receipts has meant that receipts now have 5 years to be utilised for the provision of replacement homes, rather than the 3 years in the past and the amount that can be used has increased from 30% to 40% of the development spend.

## 10. HRA 30 Year Business Plan

The council uses a spreadsheet model provided by Savills to project the HRA position over a 30 -year period, considering changes in stock, capital programme requirements, and anticipated policy changes.

A baseline position, shown in Appendix A has been established which takes account of the current capital programme, the loss of stock expected through estate regeneration and sales, and the latest government advice on rent setting. The baseline capital programme also includes: an agreed £52m investment in fire safety, £35.7m of investment in homes at Dollis Valley and Grahame Park, building of 337 new homes supported by the GLA grant and the acquisition of 51 properties for affordable rent.

Following a review of the HRA depreciation methodology by Savills; the methodology has been amended to follow best practice guidance. The historical methodology was that all assets were depreciated over a 50-year period, indicating that Council believed the assets would only be income generating for a maximum 50 years, despite RTB leases being signed for well in excess of 50 years. The impact has been to reduce the depreciation charge by approximately £10m per annum. Whilst this does affect the annual surplus, it has no impact on the levels of borrowings as depreciation is not a cash item.

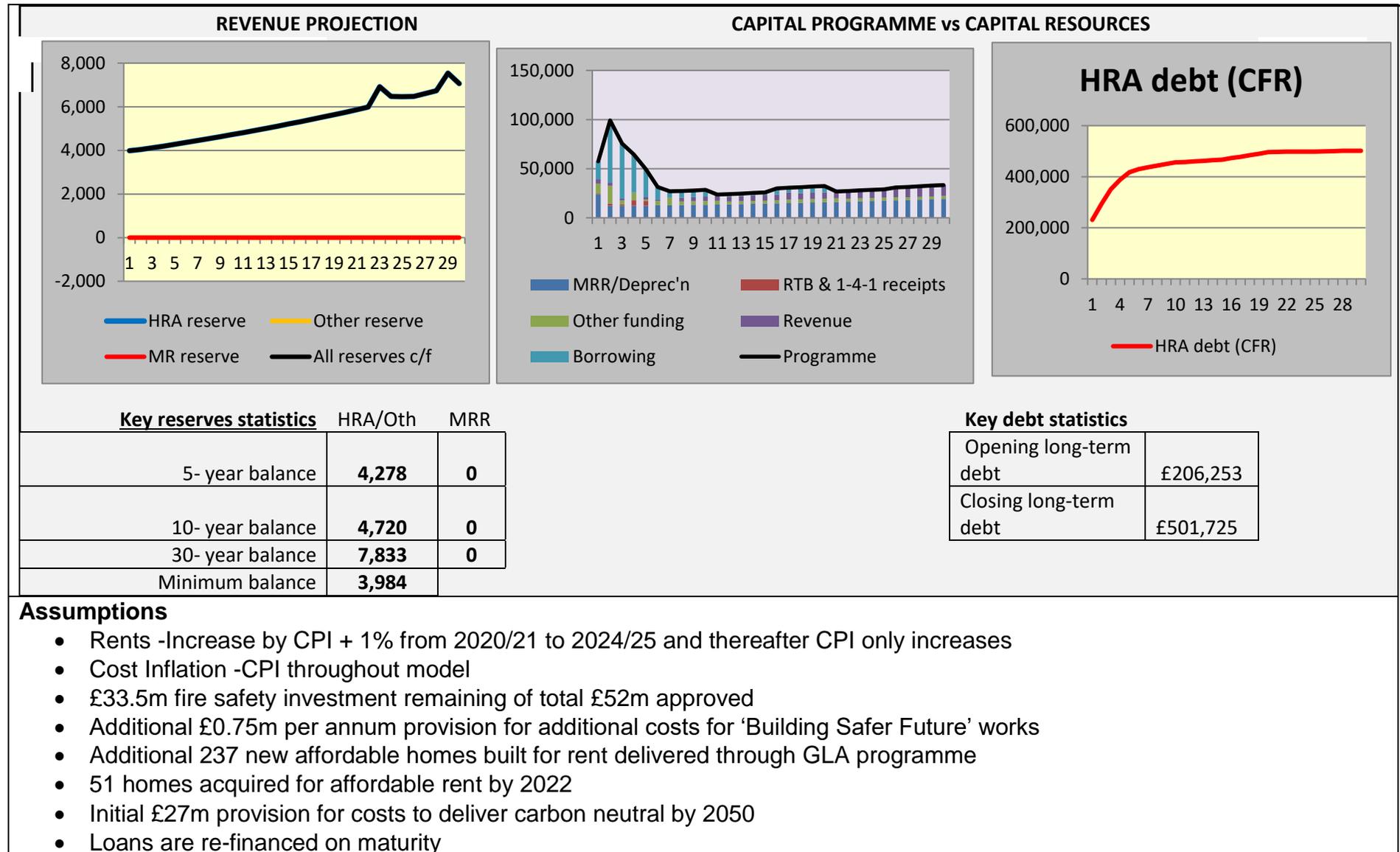
Savills has also recommended increasing the Minimum Revenue Reserve from the current £3m to £4m and this has been implemented from the 2021/22 financial year.

It is recommended that the council proceeds with developing plans for implementing the programme described above. This will see an increase in borrowing from £206m currently to £502m. This increase in borrowings means that the primary sensitivity to the business plan is interest rates. Officers are reviewing options regarding 'forward

funding' loan drawdowns to 'lock in' interest rates and mitigates this sensitivity, within the overall treasury strategy.

A summary of the proposed Capital programme is included at Appendix B and the draft HRA budget for 2021/22 is included at Appendix C.

## Appendix A - HRA Business Plan – Baseline Model



Base position shows sustainable HRA over 30-year life of the business plan

## Appendix B- Proposed HRA Capital Programme to 2026

Financial Year £'000	2021.22	2022.23	2023.24	2024.25	2025.26	Total
<b>STOCK CAPITAL INVESTMENT</b>						
Major Works	£13,942	£15,517	£15,517	£15,517	£20,713	£81,206
M&E/ GAS	£4,400	£4,400	£4,400	£4,400	£ -	£17,600
Adaptations (voids)	£685	£2,000	£1,624	£1,200	£1,200	£6,709
Fire safety programme	£11,114	£5,401	£1,315	£ -	£ -	£17,830
Additional Regeneration	£21,069	£8,545	£110	£110	£ -	£29,834
Neighbourhood works	£ -	£2,230	£2,230	£2,231	£1,338	£8,029
Carbon Neutral works	£ -	£667	£667	£666	£1,000	£3,000
<b>Total Investment in Stock</b>	<b>£ 51,210</b>	<b>£ 38,760</b>	<b>£ 25,863</b>	<b>£ 24,124</b>	<b>£ 24,251</b>	<b>£ 164,208</b>
<b>INVESTMENT IN NEW SUPPLY</b>						
Cheshir House – Extra Care	£ 8,204	£ 6,153	£ 4,982	£ -	£ -	£ 19,339
Stag House – Extra Care	£ 5,798	£ 4,081	£ 1,860	£ -	£ -	£ 11,739
Burnt Oak Broadway	£ 3,320	£ 2,386	£ -	£ -	£ -	£ 5,706
GLA Funded Programme	£ 12,738	£ 13,000	£ 1,134	£ -	£ -	£ 26,872
51 Acquisitions for affordable rent	£ 3,678	£ -	£ -	£ -	£ -	£ 3,678
New Build - 250 units*	£ 8,613	£ 11,597	£ 29,375	£ 23,920	£ 5,031	£ 78,536
Grahame Park NE	£ 1,468	£ -	£ -	£ -	£ -	£ 1,468
Dollis Valley Shared Equity	£ 3,945	£ -	£ -	£ -	£ -	£ 3,945
<b>Total Investment in New Supply</b>	<b>£ 47,764</b>	<b>£ 37,217</b>	<b>£ 37,351</b>	<b>£ 23,920</b>	<b>£ 5,031</b>	<b>£ 151,283</b>
<b>Total Capital Programme</b>	<b>£ 98,974</b>	<b>£ 75,977</b>	<b>£ 63,214</b>	<b>£ 48,044</b>	<b>£ 29,282</b>	<b>£ 315,491</b>

\*Subject to capital bids

Appendix C –HRA P11 Forecast 2020/21 and Business Plan 2021/22 to 2025/26

HOUSING REVENUE ACCOUNT	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Forecast	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Dwelling rents	(49,586)	(49,812)	(50,455)	(51,314)	(53,767)	(54,627)
Non-dwelling rents	(926)	(759)	(696)	(652)	(638)	(651)
Tenants Charges for services and facilities	(3,803)	(3,519)	(3,543)	(3,593)	(3,711)	(3,875)
Leaseholder Charges for services and facilities	(2,900)	(2,915)	(2,967)	(3,023)	(3,083)	(3,145)
Other Income	(697)	(201)	-	-	-	-
General Provision	4,999	-	-	-	-	-
<b>Total Income</b>	<b>(52,913)</b>	<b>(57,206)</b>	<b>(57,661)</b>	<b>(58,582)</b>	<b>(61,199)</b>	<b>(62,298)</b>
<b>Expenditure</b>						
Repairs and Maintenance	7,874	7,869	7,959	8,070	8,233	8,473
'Building Safer Future' funding	-	850	866	883	901	919
General	20,963	21,810	22,039	22,414	22,911	23,528
Special	2,159	2,456	2,298	3,352	2,080	2,123
Depreciation and impairment of fixed assets	12,423	12,222	12,243	12,255	12,374	12,700
Debt Management Expenses	7,643	8,927	9,311	10,360	11,141	11,874
Revenue Contribution to Capital	4,714	2,001	1,550	-	2,348	1,615
Increase in bad debt provision	696	1,070	1,363	1,241	1,139	1,024
<b>Total Expenditure</b>	<b>56,472</b>	<b>57,205</b>	<b>57,629</b>	<b>58,575</b>	<b>61,127</b>	<b>62,256</b>
<b>Net Cost/(Income) of HRA Services</b>	<b>3,559</b>	<b>(1)</b>	<b>(32)</b>	<b>(7)</b>	<b>(72)</b>	<b>(42)</b>
Interest and investment income	(34)	(19)	(40)	(41)	(41)	(43)
<b>(Surplus) or deficit</b>	<b>3,525</b>	<b>(20)</b>	<b>(72)</b>	<b>(48)</b>	<b>(113)</b>	<b>(85)</b>
<b>Accumulated Reserve (Surplus)</b>	<b>(4,000)</b>	<b>(4,020)</b>	<b>(4,092)</b>	<b>(4,140)</b>	<b>(4,253)</b>	<b>(4,338)</b>