

	<h2>Housing and Growth Committee</h2> <p>13 September 2021</p>
<p style="text-align: center;">Title</p>	<h3>Housing Revenue Account (HRA) Business Plan- Updated</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 A - Housing Revenue Account Business Plan</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Stephen McDonald, Stephen.mcdonald@barnet.gov.uk, 020 8359 2172</p> <p>Shaun McLean, Group Director Resources, The Barnet Group, shaun.mclean@barnethomes.org</p>

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 and Growth Committee in June 2021.

Officers Recommendations

1. That the Committee approve the updated Housing Revenue Account Business Plan as attached in Appendix 1.

1. WHY THIS REPORT IS NEEDED

- 1.1 Expenditure and income relating to property and income listed in section 74 of the Local Government and Housing Act 1989 which includes housing held under Part II of the Housing Act 1985 must be accounted for in the Housing Revenue Account (HRA). The HRA is a ring-fenced budget.
- 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 with the primary difference being the absence of a statutory minimum revenue provision in the HRA.
- 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 within a prudent limit to support the acquisition or building of new homes.
- 1.6 There have been recent changes to how Right to Buy receipts may be used, i.e. more of the receipt can be used for development, the period over which it must be used has been extended from 3 years to 5 years; both these changes come with a clear priority of new development, not acquisition.
- 1.7 The 30-year HRA Business Plan, attached at Appendix A, has been updated to reflect the current forecast for the 2021/22 financial year and reflect additional borrowings drawn. It continues to reflect how the previously approved basis of how the council will manage and maintain the housing stock and priorities for investment going forward, including investment in fire safety improvements, compliance with new legislation for 'Building a Safer Future' and new affordable homes for rent.

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 to ensure the safety of residents.
- 2.2 The HRA should be self-funding and continuous review of the position of the HRA is required to ensure this.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The HRA Business Plan has been developed to support the priorities outlined in the council's Housing Strategy and Growth 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 programme and be submitted to the Housing & Growth Committee for consideration.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 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 dealt 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

- 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 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. Over three-quarters of older adults in Barnet are homeowners, indicating that a substantial majority of this age group are living in their own homes in the community, against a background of limiting long term illness and possible social isolation. 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 that 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 falls outside Part II of the 1985 Act, and which has a net cost to the council of approximately £3,400 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 increase by Consumer Price Index (CPI) +1% a year until March 2025 in line with current Government Policy 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 councils rent policy.

5.2.5 The HRA Business plan has been detailed in Appendix 1 to show the 2021/22 position (forecast at P4) along with the following five financial years concerning both revenue and capital. There have been no major changes in content since the June 2021 approved version, though there have been some adjustments to the timings of expenditure, particularly new developments and regeneration. No major policy (only process) changes and thus no material budget changes are expected over the forward-looking reported period. This updated forecast has been prepared collaboratively between the council and The Barnet Group; this has ensured the overall quality and detail of the HRA business plan is high, capitalising on the operational insights provided by The Barnet Group.

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 (Article 10.3).

5.4.3 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.

5.5 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 continuous annual updating of the plan.

5.5.2 Rents from April 2022 can be increased by up to CPI+1%, CPI being based on September 2021 levels. With CPI running significantly above the Government target of 2% (possibly as high as 3% in September), the affordability of the increase may be a challenge to residents. As the +1% cannot be recouped in future years if not included the impact on the 30-year business plan is reduced revenue of £17.5m and the level of borrowings would be £18m higher at the end of the 30-year plan.

5.6 Equalities and Diversity

5.6.1 Under s.149 of the Equality Act 2010, the council must, in the exercise of its functions 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. The council will have proper regard to any Equality Act issues arising from any proposals coming forward.

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 in the HRA, 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. This document has 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 updating of the HRA Business Plan.

6 BACKGROUND PAPERS

6.1 Relevant previous decisions are indicated in the table below.

Meeting	Decision	Link
Housing & Growth Committee 14 June 2021	Approval of HRA Business Plan	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=10845&Ver=4 Item 9
Housing & Growth Committee 27 January 2020	Approval of HRA Business Plan	https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=9931&Ver=4
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