Appendix A - HRA Business Plan – November 2022

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 over 125 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 78 new council homes in Barnet, for the HRA 250 home programme which includes a scheme at The Grange estate in East Finchley and for the acquisition of up to 60 ex-Right to Buy homes.

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 £50m has been spent to date. A five year £29m programme to medium and low rise (lower risk) properties has commenced this year.

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

Other projects to be supported by the HRA Business Plan include two additional extra care schemes, providing 126 new homes.

This updated plan identifies provision for building a further 250 new homes for rent in the borough, and investment of £32 million in properties that continue to be occupied on our regeneration estates at Grahame Park and Dollis Valley. Savills were commissioned to carry out a stock condition survey; which included estimating costs to achieve the EPC C requirement to retained council homes by 2030 and also the Government Clean Growth Strategy. Savills are currently carrying out further stock condition surveys which will also provide greater clarity on the potential costs of achieving EPC B SAP ratings of retained council homes by 2030.

The current year plan has also made provision for £12.9m of new spend for environmental works to shared and communal spaces as well as an initial £38m 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 the initial £38m capital allocation, however there are numerous unknown factors which will impact the total cost over time, including technology options and grant funding from the Government.

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 its intention 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 recent 'spike' in CPI has meant that central Government recently had a consultation on setting a rent 'cap' for 2023/24 (and possibly the following year). The consultation asked for inputs around different levels of maximum rent increases (3%, 5% or 7%). The Business Plan assumes that rents will increase 5% for the next 2 years (when CPI is expected to be around 10%) and then by CPI+1% for 5 years and then CPI only thereafter. The Council has responded to the consultation suggesting a 7% rent increase for 2023/24 and a return to CPI+1% thereafter. If the Council response level is achieved, this would equate to an additional £4.2m, £10.0m and £39.4m of revenue over the next 5,10 and 30 years respectively

The roll out of Universal Credit for new applicants and where there is a change in circumstances for existing claims is now well underway in Barnet. The impact of this on rent collection and associated bad debt is being closely monitored, with no specific trends to note this far.

Corporate Priorities

A new Corporate Plan is in development, with an approach being built around a council that cares for people, our places, and the planet, as discussed at the Policy and Resources Committee meeting on 29 September 2022. Under the People priority, it aims to be family friendly, tackle inequality, and support health and independence. Under the Place priority, it aims to ensure safe, attractive neighbourhoods, quality homes, sustainable growth, and thriving town centres and make Barnet a fun place to visit. Under the Planet priority, it aims to focus on the council's journey to net zero, local environment, and green spaces.

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.

3. 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 which provides a framework for the effective and efficient management of the Barnet Homes housing stock, over the next five years, with particular emphasis on the following themes:

- Understanding our housing property assets
- Continue to maintain homes to ensure they are safe, energy efficient and provide a healthy and fit-for-purpose living environment for our customers
- Improving estates to make them places our customers want to live in

The Asset Management Strategy was developed using stock condition data from Savills (80% of retained properties) and will ensure the properties are maintained to legal standards as a minimum. 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 on a continuous basis and the most efficient use of capital programme resources.

Costs to achieve either Carbon Neutrality or the Council target of EPC B by 2030 are not yet known. Initial estimates are that this will be more than £180m; which cannot be met within the current HRA. Significant levels of grant or other central Government support will be required to achieve these targets and currently efforts are being focussed on securing funding through grant programmes where available.

Building and Fire safety

Following the Grenfell Tower disaster in June 2017, the council 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 (10 storeys and over). £50m of this investment programme has been spent to date.

'Building a Safer Future' (BSF) 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 Act and the Fire Safety Act. The Fire Safety Act received royal assent in April 2021, although is not yet in force. The Building Safety Bill received royal assent in July 2022 and does not come into force until 2023. 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 formal introduction of the Acts 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 £0.85m 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 2 years. The council will ensure that homes at Grahame Park programmed to be occupied until 2024 remain compliant with statutory landlord health and safety compliance 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.

Significant regeneration has taken place at Dollis Valley. The remaining council homes at **Dollis Valley** are due to be vacated between 2022 and 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 2027 (at current values, no inflation):

Financial Year £'000	2022.23 Fcst	2023.24 Budget	2024.25 Budget	2025.26 Budget	2026.27 Budget	Total
STOCK CAPITAL INVESTMENT						
Major Works	£14,378	£14,378	£14,378	£16,958	£16,958	£77,050
M&E/ GAS	£6,566	£956	£566	£2,114	£2,114	£12,316
Adaptations (voids)	£1,162	£1,162	£1,162	£1,200	£1,200	£5,886
Fire safety programme	£11,576	£5,900	£5,900	£5,900	£5,900	£35,176
Additional Regeneration	£17,683	£3,803	£2,652	£2,286	£1,452	£27,876
Neighbourhood works	£563	£2,063	£2,063	£1,641	£1,641	£7,971
Carbon Neutral works	£500	£3,759	£3,759	£4,638	£4,638	£17,294
Totals	**£52,428**	**£32,021**	**£30,480**	**£34,737**	**£33,903**	**£ 183,569**

4. 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 £7.8m was secured for a further 78 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. 294 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 has delivered a policy compliant mixed tenure scheme at Hermitage Lane which produced 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.

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 84 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 have three or more bedrooms.

A new acquisition program for up to 120 units was approved at the November 2021 Housing & Growth Committee meeting. This is made up of 60 units of ex- Right to Buy units, whereby grant of £65k per unit has been secured. The other 60 units will be funded using RTB receipts. This program will primarily focus on larger units as there is significant demand for these types of units in the Borough.

5. 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 an estimated £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 approximately £0.340m in temporary accommodation costs within in the General Fund.

6. 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.

7. 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 1st 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.

8. 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. A recent announcement by Ministry of Housing, Communities & Local Government (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.

9. 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 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, £28m of investment in homes at Dollis Valley and Grahame Park, building of 337 new homes supported by the GLA grant and the acquisition of 171 properties for affordable rent.

It is recommended that the council proceeds with developing plans for implementing the programme described above. This will see an increase in borrowing from £360m currently to £815m at the end of the 30-year plan. This increase in borrowings means that the primary sensitivity to the business plan is interest rates.

A summary of the proposed Capital programme is included at Appendix A and the updated HRA forecast for 2022/23 is included at Appendix B.

Appendix A- Proposed HRA Capital Programme to 2027 (at current values, no inflation):

Financial Year £'000	2022.23	2023.24	2024.25	2025.26	2026.27	Total
STOCK CAPITAL INVESTMENT						
Major Works	£14,378	£14,378	£14,378	£16,958	£16,958	£77,050
M&E/ GAS	£6,566	£956	£566	£2,114	£2,114	£12,316
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Regeneration	£17,683	£3,803	£2,652	£2,286	£1,452	£27,876
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Carbon Neutral works	£500	£3,759	£3,759	£4,638	£4,638	£17,294
Total Investment in Stock	**£52,428**	**£32,021**	**£30,480**	**£34,737**	**£33,903**	**£ 183,569**
INVESTMENT IN NEW SUPPLY						
Cheshir House – Extra Care*	£ 7,577	£ 14,849	£ 964	£ -	£ 727	£ 24,117
Stag House – Extra Care*	£ 6,174	£ 1,100	£ 226	£ -	£ -	£ 7,500
GLA Funded Programme	£ 3,936	£ 26,427	£ 5,153	£ 1,853	£ -	£ 37,369
New Build - 228 units*	£ 400	£ 3,862	£ 28,287	£ 22,793	£ 12,144	£ 67,486
The Grange	£ 1,472	£ 4,415	£ 2,943	£ 1,464	£ -	£ 10,294
120 acquisition program	£ 31,951	£ 13,802	£ -	£ -	£ -	£ 45,753
Small sites modular	£ 904	£ 3,617	£ -	£ -	£ -	£ 4,521
Moxon & Whiting	£ 1,000	£ 400	£ -	£ -	£ -	£ 1,400
Grahame Park NE*	£ 1,500	£ 2,000	£ -	£ -	£ -	£ 3,500
Dollis Valley Shared Equity	£ 2,700	£ -	£ -	£ -	£ -	£ 2,700
Total Investment in New Supply	**£ 57,614**	**£ 70,472**	**£ 37,573**	**£ 26,110**	**£ 12,871**	**£ 204,640**
Total Capital Programme	**£ 110,042**	**£ 102,493**	**£ 68,053**	**£ 60,847**	**£ 46,774**	**£ 388,209**

*Subject to capital bids

Appendix B –HRA Forecast 2022/23 and Business Plan to 2026/27

HOUSING REVENUE ACCOUNT	2022/23 Forecast £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
Income					
Dwelling rents	(51,916)	(54,275)	(57,031)	(60,746)	(61,888)
Non-dwelling rents	(1,155)	(987)	(898)	(854)	(808)
Service Charges for services and facilities	(6,992)	(7,772)	(8,662)	(8,913)	(9,148)
Other Income	(206)	(227)	-	-	-
Total Income	**(60,269)**	**(63,261)**	**(66,591)**	**(70,513)**	**(71,844)**
Expenditure					
Repairs and Maintenance	9,799	10,475	11,465	11,726	11,936
‘Building Safer Future’ funding	850	935	1,029	1,049	1,070
General	24,200	24,343	25,458	26,016	26,364
Special	1,074	1,348	1,276	1,389	1,458
Depreciation and impairment of fixed assets	12,683	12,719	12,908	13,210	13,418
Debt Management Expenses	10,463	11,568	12,856	14,702	16,538
Revenue Contribution to Capital	182	352	118	1,382	82
Increase in bad debt provision	997	1,169	1,096	1,020	957
Total Expenditure	**60,248**	**62,909**	**66,206**	**70,492**	**71,823**
Net (surplus)/deficit of HRA Services	**(21)**	**(352)**	**(385)**	**(21)**	**(21)**
Interest and investment income	(105)	(62)	(72)	(79)	(81)
(Surplus) or deficit	**(126)**	**(414)**	**(457)**	**(100)**	**(102)**
Accumulated Reserve (Surplus)	**(4,146)**	**(4,560)**	**(5,017)**	**(5,117)**	**(5,219)**