Appendix K - HRA Business Plan – February 2024

1. Introduction

The council's Housing Revenue Account (HRA) is funded through rents and service charges received from council tenants and leaseholders, it should meet 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.

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 and acquisition of over 400 council homes for rent, a 53-unit extra care housing scheme at Ansell Court and the 51-unit scheme Atholl House (formerly Stag House) 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 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. A priority for the HRA business plan has been the delivery of £52m of spend for high rise and higher risk blocks and Barnet Homes is approximately 25% through a £34m program of works for medium rise blocks.

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

This updated plan includes budget for those schemes with GLA grant approved as well as the current approved project costs relating to Graham Park North-East. The HRA Business Plan does not include the additional costs estimated by Savills to be £84m to achieve EPC C targets for all these council housing units. The recent relaxing by the Government on climate targets means there is not 100% clarity on whether this change applies to social housing or not; this would also affect access to grant or other central government funding.

The current year plan has also made provision for £4.1m of new spend for environmental works to shared and communal spaces as well as an initial £15.3m towards achieving carbon neutrality across the stock by 2050. The estimated costs for achieving carbon neutral by 2050 is estimated by Savills to be approaching £200m, 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 intended 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. This was again amended in 2022 (relating to rents for 2023/24) when a rent ‘cap’ of 7% was permitted, well below the CPI+1% which would have been 11.1%. The overall impact of these amendments to the rent levels has meant a reduced rental income of £6.2m per annum for the HRA.

Corporate Priorities

The HRA Business Plan complements the Council Corporate priorities and 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

Stock condition surveys of every home was commissioned 3 years back and 80% of all non-regeneration homes have been surveyed. The final 20% will be complete shortly. Findings from these surveys, as well as utilising external consultants on pricing (as example bathrooms now cost 70% more to replace than in 2020) has helped shape updated maintenance programs and additional damp & mould works. Overall the required funding has increased £150m (excl CPI). 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; there is also increased expectations by the social housing regulator regarding the quality and accuracy of data that landlords have regarding their stock.

Building and Fire safety

Following the Grenfell Tower disaster in June 2017, the council responded by developing a £52 million investment programme to improve fire safety in its high-rise and higher risk 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. A further £34m program for medium rise blocks was also approved and is approximately 25% complete so far.

‘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 have received Royal Assent and will both be in full operation from April 2024. 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) with effect from April 2024.

This additional legislation has generated additional revenue works but also much of the equipment will need to be maintained and replaced over the life of the business plan, an estimated £150m (excl CPI) has been added to the plan.

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**. The council will ensure that homes at Grahame Park programmed to be occupied until 2027 remain compliant with statutory landlord obligations. Properties due to remain occupied beyond 2027 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 2027	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 2027	As above and including repair/renewal of bathrooms and kitchens, roof and windows replacement and lift works.

The following table shows the total investment plans for the council's housing stock through to 2028 (at estimated inflation levels):

Financial Year £'000	2023.24	2024.25	2025.26	2026.27	2027.28	Total
STOCK CAPITAL INVESTMENT						
Major Works	£23,707	£25,821	£28,362	£29,372	£29,605	£136,867
M&E/ GAS	£958	£6,118	£804	£823	£840	£9,543
Adaptations (voids)	£1,362	£1,240	£1,283	£1,357	£1,384	£6,626
Fire safety programme	£5,900	£7,588	£7,293	£5,510	£5,447	£31,738
Additional Regeneration	£2,569	£2,133	£2,152	£732	£732	£8,318
Damp & Mould	£1,000	£1,601	£1,657	£905	£922	£6,085
Neighbourhood works	£2,063	£2,201	£ -	£ -	£ -	£4,264
Carbon Neutral works	£3,933	£4,667	£5,273	£1,131	£1,153	£16,157
Totals	**£41,492**	**£51,369**	**£46,824**	**£39,830**	**£40,083**	**£219,598**

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

New Build Programme

The council's Housing Strategy 2023-2028 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.

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.

The HRA supports developments, including for Opendoor Homes (the Registered Provider owned by Barnet Homes) by providing land at nil cost where appropriate. The development costs of the new homes are funded by loans to Opendoor Homes from the council. The council retains 100% nomination rights to the properties that are built.

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. Work has commenced on consulting on the various schemes of this programme.

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 or other appropriate legal structures 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; such as Grahame Park North East which is considering joint-venture structures due to the scale of the development and associated risks.

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 will 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 £6,000 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 £0.600m in temporary accommodation costs within in the General Fund. This was the primary driver behind the acquisition of 249 homes at Colindale Gardens during 2023.

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 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.

These schemes provide an estimated average net £12,000 of avoided costs per client per annum compared to other care types (this is more acute when compared to residential settings). The first extra care scheme completed during 2019 at the 53-home extra care sheltered housing scheme at Ansell Court and during 2023 Atholl House (Stag House) completed with 51 homes.

The council and Barnet Homes are progressing well with 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. This scheme 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 gross saving of up to £50,000 (excludes the cost of any social care support) 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 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. Barnet Homes reports annually as part of its delivery plan on how it benchmarks against other similar organisations and Local Authorities.

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 made use of Right-to-Buy receipts to support the building and acquisitions programme described in section six above. A recent announcement by DLUHC 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 £32m investment in fire safety, £253m (net of grant and right to buy receipts) of investment in new homes (£47m of that relates to the 249 homes in Colindale Gardens), building of nearly 850 new homes supported by the GLA grant and the acquisition of 51 properties for affordable rent.

The demands on the HRA have increased exponentially over the last few years with lower income than expected. Rental income is £6.2m per annum lower than expected (described earlier), additional annual costs for Building Safer Future (£2m), £1m for damp & mould and £2.75m interest costs for major works relating to Building Safer Future and maintaining regeneration estates has all meant significantly reduced capacity in the HRA. There are also repairs costs increases due to macroeconomic issues meaning nearly £3m additional annual spend caused by 'no-win, no-fee' disrepair lawyers driving up disrepair claims, repairs inflation being well above CPI both for labour and materials. Interest rates and build costs have also increased significantly meaning the financial viability of development schemes is more challenging. The impact of all this is that the HRA is not showing financial viability beyond year 3. The worsening financial position is exacerbated by the need to source additional resources which may include GF contributions (2026/27 and ongoing) to be able to fund the revenue side of the HRA, as well as continuing to fund capital and that then incurs additional interest charges which means the HRA revenue position worsens exponentially.

Council and Barnet Homes are reviewing the HRA to find mitigations though the scale of the challenge is unlikely to be achieved without General Fund support or Government intervention as all the services are legal or regulatory requirements and any options to defer or reduce services would ultimately lead to a breach of either of these.

A summary of the proposed Capital programme is included at Appendix A and the draft HRA budget for 2024/25 is included at Appendix B.

Appendix A- Proposed HRA Capital Programme to 2028

*Subject to capital bids

Financial Year £'000	2023.24	2024.25	2025.26	2026.27	2027.28	Total
STOCK CAPITAL INVESTMENT						
Major Works	£23,707	£25,821	£28,362	£29,372	£29,605	£136,867
M&E/ GAS	£958	£6,118	£804	£823	£840	£9,543
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Additional Regeneration	£2,569	£2,133	£2,152	£732	£732	£8,318
Damp & Mould	£1,000	£1,601	£1,657	£905	£922	£6,085
Neighbourhood works	£2,063	£2,201	£ -	£ -	£ -	£4,264
Carbon Neutral works	£3,933	£4,667	£5,273	£1,131	£1,153	£16,157
Total Investment in Stock	**£41,492**	**£51,369**	**£46,824**	**£39,830**	**£40,083**	**£ 219,598**
INVESTMENT IN NEW SUPPLY						
Cheshir House – Extra Care	£ 11,585	£ 7,671	£ 422	£ -	£ 306	£ 19,984
Stag House – Extra Care	£ 2,218	£ 236	£ -	£ -	£ -	£ 2,454
Silk & Shoelands (HRA 250)	£ 339	£ 7,956	£ 7,444	£ 39,137*	£ 39,137*	£ 94,013
Coppies Grove (HRA 250)	£ 263	£ 2,322	£ 1,722	£ -	£ -	£ 4,307
Coppetts Road (GLA 87)	£ 3,363	£ 5,262	£ 265	£ -	£ -	£ 8,890
The Grange (HRA 250)	£ 2,044	£ 5,745	£ 1,358	£ -	£ -	£ 9,147
Moss Hall (HRA 250)	£ 736	£ -	£ -	£ -	£ -	£ 736
Little Strand (HRA 87)	£ 7,599	£ 4,746	£ 303	£ -	£ -	£ 12,648
Broadfields (HRA 87)	£ 5,520	£ 6,889	£ 788	£ -	£ -	£ 13,197
Acquisitions for affordable rent	£ 16,028	£ 10,685	£ -	£ -	£ -	£ 26,713
Modular Homes	£ 2,485	£ -	£ -	£ -	£ -	£ 2,485
Other	£ 3,357	£ -	£ -	£ -	£ -	£ 3,357
Colindale Gardens	£ 72,800	£ 2,000	£ -	£ -	£ -	£ 74,800
Grahame Park NE	£ 2,846	£ 8,305	£ 16,100	£ 25,503	£ 12,631	£ 65,385
Dollis Valley Shared Equity	£ 1,865	£ -	£ -	£ -	£ -	£ 1,865
Total Investment in New Supply	**£133,048**	**£61,817**	**£28,402**	**£64,640**	**£52,074**	**£339,981**
Total Capital Programme	**£174,540**	**£113,186**	**£75,226**	**£104,470**	**£92,157**	**£559,579**

Appendix B –HRA P8 Forecast 2023/24 and Business Plan 2024/25 to 2028/29

HOUSING REVENUE ACCOUNT	2023/24 Forecast £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000
Income						
Dwelling rents	(55,510)	(61,718)	(64,353)	(67,723)	(67,748)	(70,889)
Non-dwelling rents	(1,020)	(957)	(820)	(783)	(741)	(755)
Service Charges- tenants and leaseholders	(9,728)	(11,048)	(11,521)	(11,818)	(11,842)	(10,420)
Other Income	(119)	(127)	(131)	(135)	(137)	-
Total Income	**(66,377)**	**(73,850)**	**(76,825)**	**(80,459)**	**(80,468)**	**(82,064)**
Expenditure						
Repairs and Maintenance	13,128	15,225	15,255	18,044	18,317	20,759
Housing Management	23,321	23,461	24,207	24,903	25,270	25,011
Internal recharges	3,494	3,728	3,859	3,951	4,030	4,111
Depreciation of fixed assets	12,703	13,635	14,049	14,147	14,301	14,957
Interest expense	14,606	16,578	20,749	22,996	26,823	30,399
Increase in bad debt provision	1,185	1,328	1,234	1,146	1,066	1,066
Revenue Contribution to Capital	346	-	-	-	-	-
Total Expenditure	**68,783**	**73,955**	**79,353**	**85,187**	**89,807**	**96,303**
Net Cost of HRA Services	**2,406**	**105**	**2,528**	**4,728**	**9,339**	**14,239**
Interest and investment income	(2,600)	-	-	-	-	-
(Surplus) or deficit	**(194)**	**105**	**2,528**	**4,728**	**9,339**	**14,239**
Accumulated Reserve (Surplus)/Deficit	**(4,314)**	**(4,209)**	**(1,681)**	**3,047**	**12,386**	**26,625**