

Report for: Cabinet 12 November 2019

Title: Approval of additional Housing Revenue Account budget for new build properties and acquisitions of existing properties to house homeless households

Report authorised by: Dan Hawthorn, Director of Housing, Regeneration and Planning and Jon Warlow, Director of Finance

Lead Officers: Alan Benson, Interim Assistant Director for Housing
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Ward(s) affected: All

**Report for Key/
Non-Key Decision:** Key

1. Describe the issue under consideration

- 1.1. This report seeks approval to increase the capital programme by £70.4m in the Housing Revenue Account (HRA) in 2019/20, above and beyond the reprofiled budget approved in the Cabinet report of 10 September 2019.
- 1.2. The proposed increases totalling £12.8m for funding new homes building and new homes acquisitions are contained within the envelope of the 5-year HRA capital budget set out in the 10 September report and approved by Cabinet. There was insufficient funding identified in this financial year to cover the greater than expected scale of activities now being delivered in the Council housing delivery programme.
- 1.3. The report also proposes an addition to the HRA capital programme of £57.6m in respect of the acquisition of existing properties to be used as temporary accommodation for homeless households, a function previously included in the General Fund (GF) capital programme.
- 1.4. It is noted that this report does not, of itself, make any new spending commitments. All actual decisions to spend will be subject to the normal decision-making processes.

2. Cabinet Member Introduction

- 2.1. Increasing the Housing Revenue Account's (HRA) Capital Programme is an essential step in ensuring that the Council can deliver a key pledge from the current administration's manifesto and a central outcome of the Borough Plan: delivering 1000 new Council Homes. As well as this, the additional funding will allow the council to acquire properties to house homeless households – and re-

municipalise former Council homes lost under the right to buy over the past few years.

3. Recommendations

- 3.1. That Cabinet recommends Full Council approves additions to the 2019/20 HRA capital programme of £70.4m to finance: the construction of new build properties (£4.1m); the acquisition of new build properties for affordable housing (£8.7m) and the acquisition of existing properties to house homeless households (£57.6m).

4. Reasons for decision

- 4.1. On 10 September 2019, Cabinet approved a reprofiled HRA capital budget of £77.8m, for 2019/20. This included £62.8m for existing stock, £2.9m for the Council housing delivery programme and £12m for new homes acquisition. There is also a £41.4m in the General Fund capital budget to acquire existing properties to be used to house homeless households.
- 4.2. The construction of new build properties is now moving at a faster pace than anticipated in February 2019. The current budget provision of £2.9m for new build properties as outlined in the quarter 1 (period 3) budget monitoring report for 2019/20 to Cabinet dated 10 September 2019, has become insufficient to cover the cost of the accelerated works in this year.
- 4.3. Hence the need for an increase of £4.1m within the 2019/20 HRA budget for the construction of new build properties by the Council. This is following a re-assessment of the budget required given the faster speed and greater progress on these projects by the Council than projected in February 2019.
- 4.4. New opportunities have come forward to acquire properties under development by other organisations, that were not previously foreseen. Thus, the need for an increase of £8.7m within the 2019/20 HRA budget, for the acquisition of new homes.
- 4.5. In respect of the acquisition of existing properties to be used as temporary accommodation for homeless households, the Council recently received legal advice that acquisitions of such properties should be purchased within the HRA, rather than the General Fund. A decision is needed to regularise the current year's purchases and historic purchases. Further details are outlined in the report to Cabinet on 12 November 2019: 'Update on the Community Benefit Society'.
- 4.6. An additional capital provision of £57.6m within the 2019/20 HRA budget is required for the actioned, identified and potential purchase of existing properties, to be used to house homeless households. Further details are outlined in the report to Cabinet on 12 November 2019: 'Update on the Community Benefit Society'.
- 4.7. This report requests that Cabinet recommends Full Council approves a total sum of £70.4m of additional funding within the 2019/20 HRA budget to finance the activities detailed above and set out in more detail in section six.

5 Alternative options considered

- 5.1. Not allowing an increase in the programme of new build or acquisition of new build properties:** This option was rejected because there is a need to press ahead rapidly on the 1,000 council homes target and to deliver the interim target of 500 having planning permission and 350 having a start on site by May 2020.
- 5.2. Not allowing additional provision for the purchase of properties to be used to house homeless households:** This option was rejected because there is a need to ensure there is a supply of good quality, long term housing for homeless households.

6. Background information

- 6.1. In September 2019, Cabinet approved a reprofiled HRA capital budget of £77.8m, for 2019/20. This included £62.8m for existing stock, £2.9m for the Council housing delivery programme and £12.0m for new homes acquisition. There is also a £41.4m in the General Fund capital budget to acquire existing properties to be used to house homeless households.
- 6.2. The proposed increases totalling £12.8m for funding new homes building and new homes acquisitions are contained within the envelope of the 5-year HRA capital budget set out in the September 10 report and approved by Cabinet. There was insufficient funding identified in this financial year to cover the greater than expected scale of activities now being delivered in the Council housing delivery programme.
- 6.3. The construction of new build properties is now moving at a faster pace than anticipated in February 2019. The aim is to start 350 new build properties by May 2020, with 500 having planning permission. The current budget provision of £2.9m for new build properties was outlined in the quarter 1 (period 3) budget monitoring report for 2019/20 to Cabinet dated 10 September 2019. An additional amount of £4.1m is now required, making the total budget for 2019/20 £7.0m.
- 6.4. The acquisition of new homes being developed by other organisations for the purposes of Council housing has also progressed faster than expected because new opportunities have come forward to acquire properties that were not previously foreseen. The current provision of £12.0m for the acquisition of new homes was outlined in the quarter 1 (period 3) budget report for 2019/20 to Cabinet dated 10 September 2019. An additional amount of £8.7m is required for the schemes, making the total budget for 2019/20 £20.7m.
- 6.5. A further £57.6m is required within the HRA for the purchase of properties to be used to house homeless households. This is following recently received legal advice that such properties should be purchased within the HRA, rather than in the General Fund. Further details are outlined in the report to Cabinet on 12 November 2019: 'Update on the Community Benefit Society'.

- 6.6 There are 57 ex-Council properties acquired prior to 2019/20, at a total sum of c.£13m. Following the legal advice that these acquisitions should be held within the HRA, there will now be accounting adjustments between the General Fund and HRA to reflect the transfers between the two funds.
- 6.7. It is noted that if the recommendations in this report are agreed by Cabinet, it will need to be referred to the next meeting of Full Council on 26 November 2019 to make the necessary amendments to the Council's budget.
- 6.8. Subsequently, a further report will be presented to Cabinet in February 2020, setting out the HRA Business Plan, with all these capital work strands, including maintenance of existing stock, for the next ten years. This will request authorisation to spend from the HRA in the years from 2020-21 onwards.

7. Contribution to strategic outcomes

- 7.1 The recommendations in this report will support the delivery of the Housing Priority in Haringey's Borough Plan 2019/2023, which sets out in its first outcome that: *"We will work together to deliver the new homes Haringey needs, especially new affordable homes"*. Within this outcome, the Borough Plan sets the aim to: *"Ensure that new developments provide affordable homes with the right mix of tenures to meet the wide range of needs across the borough, prioritising new social rented homes"*.
- 7.2 In particular, the recommendations in this report are explicitly about delivering the aim: *"to deliver 1,000 new council homes at council rents by 2022"*. The proposals in this report contribute directly to the strategic outcomes on new housing supply that are at the core of the aims of the Council as expressed in the Borough Plan.
- 7.3 This report also supports the objective contained in the Borough Plan 2019/2023 to: *"work together to prevent people from becoming homeless, and to reduce existing homelessness"* and to: *"improve the experience of homeless families and minimise costs by reducing the Council's reliance on providers of nightly paid emergency accommodation"* where temporary accommodation cannot be avoided.

8. Statutory Officers comments

Finance

- 8.1. This report requests that Cabinet recommends Full Council approves an additional HRA capital budget of £70.4m to fund the various activities highlighted in sections 4.2 to 4.6.

New Homes Build & Acquisitions

- 8.2. Some of the schemes in these programmes are being accelerated. Therefore, a combined £12.8m additional budget is required in this year.

- 8.3. This represents a reprofiling of provisions from 2020/21. This will increase the revenue cost of borrowing in the current year (additional borrowing cost of £0.12m up to year-end). However, this will be offset by lower cost of borrowing in future years as the capital requirement will be less.
- 8.4. This minor change in revenue cost of capital to the HRA will be offset by corresponding small reduction in the budgeted HRA revenue contribution to capital, currently at £16m in 2019/20. This will result in a minor increase in the level of HRA borrowing required.
- 8.5. This increased capital programme provision, when drawn down this year, will not affect the viability of the overall Housing Revenue Account.

Acquisition for Temporary Accommodation

- 8.6. The £57.6m represents the provision required to cover the cost of properties already acquired in the General Fund in the year, acquisitions in legal conveyancing and potential future acquisitions up to March 2020.
- 8.7. This will be funded partly by borrowing and partly through using Retained Right to Buy receipts (RTB).
- 8.8. Borrowing of £40.3m and retained Right to Buy receipts of £17.3m are required. The projected retained RTB receipts at year end is adequate to cover the £17.3m.
- 8.9. The borrowing of £40.3m will attract an estimated cost of capital of £0.11m in this financial year.
- 8.10. There is adequate rental income to cover the cost of capital and running cost in the period they will remain in the HRA.
- 8.11. The consequent deletion of TA acquisition budget (£41.4m) from the GF capital programme will be proposed as part of the quarter 2 capital programme update to cabinet on December 10 2019.
- 8.12. The HRA financial plan update will substantively address the changes required to subsequent years HRA capital programme. There will be no consequent increases in rent and service charges levels in 2019/20.

8.13. Table 1: Proposed HRA capital budget position

Reprofiled 5 Year Budget, including TA acquisition (£57.6m)								
	Revised Budget September 2019-20 £'000	November Budget Adjustment 2019-20 £'000	Revised budget after adjustment 2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Total £'000
Existing Stock Investment (Haringey Standard)	62,812	0	62,812	63,215	57,663	58,816	59,992	302,498
New Homes Build Programme	2,940	4,062	7,002	12,507	180,590	27,714	26,036	253,849
New Homes Acquisitions	12,006	8,725	20,731	30,748	126,962	149,784	104,812	433,037
Existing Homes Acquisition	0	57,600	57,600	0	0	0	0	57,600
Total Capital Investment	77,758	70,387	148,145	106,470	365,215	236,314	190,840	1,046,984

Procurement

- 8.14. As this is a funding application there are no procurement implications at this stage. However, Strategic Procurement will ensure that all procurement activity will provide value for money and be delivered in a compliance with all the required legislation.

Legal

- 8.15. The Council operates a leader and cabinet executive as provided by LGA 2000. The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 require that it is for full Council, not the Cabinet, to make certain decisions. The terminology commonly used to reflect the statutory framework is that the authority's "budget and policy framework" are to be set by full Council..
- 8.16. Regulation 5 of the 2000 Regulations deals with the situation where the Cabinet is minded to determine a matter contrary to, or not wholly in accordance with, (i) the authority's budget, or (ii) the plan or strategy for the time being approved or adopted by the authority in relation to their borrowing or capital expenditure. In this situation the decision is for full Council, unless the local authority's constitution authorises the Cabinet to take the decision. The proposed increase in the HRA capital programme will be a departure from the Council's budget and will therefore need to be authorised by full Council.

Equality

- 8.17. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
 - Advance equality of opportunity between people who share those protected characteristics and people who do not.
 - Foster good relations between people who share those characteristics and people who do not.

- 8.18. The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.19. The proposal is to make £ 70.4m additional capital funding available in the Housing Revenue Account (HRA) in 2019/20, beyond that made available in the February 2019 budget report. The purpose of this additional allocation is to finance the construction and acquisition of new build properties and the acquisition of existing properties to house homeless households.
- 8.20. Those most likely to be affected by the decision include households that are vulnerable to and/or experiencing homelessness. Data held by the Council suggests that women, young people, BAME communities, those who identify as LGBT+ and individuals with disabilities are particularly vulnerable to homelessness, as detailed in the Equalities Impact Assessment of the Council's Homelessness Strategy, accessible at [this link](#). As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.

9. Use of Appendices

10. Local Government (Access to Information) Act 1985

- a. [Cabinet report Q1 budget monitoring 10 September 2019](#)
- b. [Cabinet report budget 12 February 2019](#)
- c. [Full Council 25 February 2019](#)