

Report No.

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: **THE LEADER
FULL COUNCIL**

Date: July 2020

Decision Type: Non-Urgent Full Council Key

Title: **HOUSING REVENUE ACCOUNT**

Contact Officer: Sara Bowrey, Director of Housing, Planning, and Regeneration
Tel: 020 8313 4013 E-mail: sara.bowrey@bromley.gov.uk

Chief Officer: Director of Housing, Planning, and Regeneration

Ward: (All Wards);

1. Reason for report

- 1.1 The supply of social/affordable housing cannot keep pace with the level of housing need. The risk of insufficient housing and associated cost of temporary accommodation provision is one of the Council's major risks. Whilst the Council is engaged in a number of work streams to tackle homelessness at source the principle mitigation is to increase housing delivery.
- 1.2 This report considers the option of re-opening a Housing Revenue Account (HRA) as an additional tool for the provision of affordable housing.
-

2. **RECOMMENDATION(S)**

2.1 **RR&H PDS Committee is asked to note and comment on the contents and recommendations of this report.**

2.2 **The Leader is requested to:**

- (i) **Approve and recommend to full Council to approve the setting up of a Housing Revenue Account (HRA) for the provision of affordable housing.**
- (ii) **Note that future reports will be presented in relation to consideration of business cases for individual schemes, the development of a full HRA business plan and gateway report for the provision of management and maintenance services for any affordable housing units held in the HRA.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: The initiatives set out in this report seek to ensure the provision of affordable housing to support vulnerable adults and young people into settled accommodation suitable for their needs.
-

Corporate Policy

1. Policy Status: Not Applicable Existing Policy New Policy: Further Details
 2. BBB Priority: Supporting Independence
-

Financial

1. Cost of proposal: No Cost
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: Operational Housing
 4. Total current budget for this head: £7.6m
 5. Source of funding: 2020/21 Approved Revenue Budget
-

Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory Requirement: The Council has a statutory duty in relation to the provision of accommodation for homeless households
 2. Call-in: Applicable:
-

Procurement

1. Summary of Procurement Implications:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): There is an increasing housing need in the Borough for affordable housing with approximately 3,000 households on the housing waiting list and approximately 1,700 households in temporary accommodation. Around 300 households approach each month in housing need. The current average net cost to the Council for households placed into temporary nightly paid accommodation is approximately £6,300 per household per annum.
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 The Council continues to face increased pressure from those presenting as homeless and, without a sufficient supply of accommodation, the Council faces no alternative but to utilise costly nightly rate accommodation. Despite all efforts to increase the supply of accommodation coming through housing association partners and private sector options this supply continues to be insufficient to meet the level of need and is likely to slow further as a result of COVID-19. Demand is also forecast to increase following financial pressures on households and evictions restarting.
- 3.2 Whilst the focus on preventative measures has assisted in slowing the rate of growth in temporary accommodation (TA) use, options are extremely limited and increasing pressure is being seen from households faced with homelessness.
- 3.3 This means that there are currently approximately 1,700 households in TA of which around 1,000 are in costly forms of nightly rate accommodation.
- 3.4 Projecting forward, this pressure looks set to continue meaning that without new affordable housing supply, numbers and the length of stay in TA will continue to rise.
- 3.5 The housing transformation plan sets out the need for approximately 1,000 affordable units in addition to anticipated new supply to mitigate against the costs of temporary accommodation.
- 3.5 Within this context the Housing, Planning and Regeneration Transformation Board has developed the following key work streams in relation to the Council's direct involvement in facilitating affordable housing and temporary accommodation supply as a viable alternative to the current reliance on the use of nightly rate temporary accommodation. It must be noted these work streams run alongside and compliment a wider range of activities enshrined in the Council's Homelessness and Housing Strategies which seek to ensure that homelessness is prevented or relieved wherever possible and that planning, regeneration and housing policies are aligned to support and promote the wider development of housing across the borough:
- Increasing the supply of new cost-effective temporary accommodation
 - Property acquisition through purchase and repair
 - Use of Bromley-owned or acquired sites to establish a development programme for new affordable housing supply
 - a) Identification of sufficient sites to facilitate this development programme
 - b) establishing a delivery, ownership and management vehicle to enable delivery of this programme.
- 3.6 If we are unable to secure the supply of housing needed then the current reported 'budget gap' of £16.9m would increase by a further £9.6m per annum (total £26.5m) by 2024/25.
- 3.7 To date the schemes identified and being progressed will achieve in the region of 227 new units, subject to planning determination. In order to progress further to meet the overall level of supply required a decision needs to be made regarding the delivery and ownership vehicle.
- 3.8 Bromley, like many authorities previously transferred its housing stock to a housing association and closed its Housing Revenue Account. At the time of the transfer there were many reasons this offered one of the most favourable routes to continue to secure investment and support for social housing. However, since this time regulations and legislation relating to Housing Revenue Accounts and Council-owned stock have changed significantly, not least the abolition of the previous complex subsidy redistribution system in favour of a self-financing mode, more flexible rent regimes to meet a range of needs, and the removal of constraints around investment to better enable Councils to reinvest and develop affordable housing. All of these changes have

served to make the option to reopen an HRA to meet increasing levels of housing need more viable and attractive. A number of councils are now reviewing their position in light of the changes and considering reopening an HRA.

- 3.9 This paper therefore considers the option of establishing a HRA for the ownership of additional affordable homes as an additional tool to enable delivery of this programme to increase affordable housing supply.

What is a Housing Revenue Account (HRA)?

- 3.10 An HRA is a landlord's account. It is the mechanism used to record all expenditure and income on running a Council's own housing stock and closely related services or facilities. It sits as a separate ring-fenced budget outside of the General Fund.
- 3.11 It is a relatively quick and simple process to open a housing revenue account which then immediately enables Councils to develop and acquire a range of affordable housing to help meet statutory rehousing duties and thus address the financial pressures related to homelessness and the provision of temporary accommodation. There is no direct cost involved in re-opening an HRA as HRA's can be set up on a clean-slate basis.
- 3.12 This would also enable the Council to access grant funding to assist in the development and acquisition of units and, should the Council wish to do so, access the most favourable financing rates (approximately 1.3% for a 30 year loan from the PWLB), again, outside the General Fund.
- 3.13 If formal Member approval is given to open an HRA the process is very easy. Councils do not need approval but must write to the Secretary of State declaring their intention to open an HRA.

Financing development and management of affordable homes.

- 3.14 Opening an HRA does not in itself create more homes but provides an additional mechanism to enable the Council to better set the rate and pace of additional affordable supply and a vehicle for the ownership of units to ensure ongoing control of affordable units to directly meet statutory rehousing duties and this reduces the current cost pressures associated with costly forms of nightly rate accommodation.
- 3.15 The basic premise for operation of an HRA is that it will operate on the basis that all costs are met through the rental stream gained from the properties developed.
- 3.16 Councils with an HRA are eligible to receive grants for new affordable housing. Grant rates can vary dependent upon the funding round and tenure applied to each particular property ranging from £28K for homes designed for working households through to £100K for properties aimed at the most vulnerable with reduced rent levels. All schemes would be subject to a full feasibility study before approval to proceed to explore and design the best mix on site to meet housing needs, ensure rents are affordable for tenants, and reach financial viability. In most cases this will mean that schemes have a mix of units and associated grant levels. A full business case and feasibility study would be presented on a scheme-by-scheme basis for Member consideration and approval prior to progressing any housing scheme and would be dependent on Planning determination.
- 3.17 It must be noted that Councils are allowed to hold up to 200 housing units without the need to open an HRA. Once a council reaches the 200 threshold it must open an HRA. As set out above, the existing development programme is likely to achieve in excess of 200 units and as such a decision is now needed on the delivery model and question of an HRA as this

exceeding of the 200 threshold limit effectively could establish an HRA by default. Whilst Councils can request the secretary of state's permission to hold above 200 units outside of an HRA, this is usually only granted by exception where Councils hold marginally more units than the 200.

3.18 Thus a decision is needed prior to progressing any additional schemes.

3.18

Next Steps

3.19 If approved, work would then progress to review all potential sites for new affordable housing supply to enable fully worked business cases to be presented for consideration before progressing schemes, as well as consideration of whether any of the current scheme that have been agreed for TA should transfer to the HRA.

3.20 Alongside this, a full HRA operational business plan will be developed to mobilise the HRA.

3.21 As schemes progress, work will also need to be undertaken to commission the management and maintenance services. A further report will therefore come forward for consideration on the management and maintenance model and procurement route for these services.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

The provision of cost-effective temporary accommodation and affordable housing supply will provide suitable, safe accommodation to meet housing need enabling the Council to meet its statutory housing obligations and to safeguard vulnerable adults and children.

5. POLICY IMPLICATIONS

The Council has a published Homelessness Strategy, which sets out the approved strategic policy in terms of homelessness. This includes temporary accommodation and settled housing provision to reduce the reliance on nightly paid accommodation. The Council already works with a range of providers in the provision of affordable housing and the option of an HRA increases the range of options available to maximise access and supply to affordable housing provision.

6. FINANCIAL IMPLICATIONS

6.1 The current average net cost of nightly paid accommodation is around £6,300 per household per annum, as set out in the table below:

| | Annual charge | Rent income | Net cost |
|-------------------------|----------------------|--------------------|-----------------|
| | £ | £ | £ |
| Single room | 13,535 | 9,988 | 3,547 |
| Studio | 12,105 | 8,015 | 4,090 |
| Self contained (1 bed) | 12,696 | 7,174 | 5,522 |
| Self contained (2 bed) | 15,166 | 8,593 | 6,573 |
| Self contained (3 bed) | 18,561 | 10,596 | 7,965 |
| Self contained (4 bed) | 23,019 | 15,724 | 7,295 |
| Weighted average | 15,316 | 9,027 | 6,289 |

6.2 The full financial appraisal of future proposed schemes, the resulting savings on the cost of temporary accommodation and any opportunities to obtain grant funding will be considered as part of the business case for each individual site in subsequent reports.

- 6.3 In addition to being eligible for grant funding, homes let as affordable housing through an HRA can achieve significantly higher rent levels, as benefits are capped at current Local Housing Allowance (LHA) rates, compared to temporary accommodation, where benefits are capped at 90% of the 2011 LHA rates, as set out in the table below (using Outer South East London rates, which covers the majority of Bromley):

| | Affordable Housing | Temporay Accommodation |
|------------------------|---------------------------|-------------------------------|
| | Current LHA | 90% 2011 LHA |
| | £ | £ |
| Self contained (1 bed) | 10,740 | 7,310 |
| Self contained (2 bed) | 13,200 | 8,934 |
| Self contained (3 bed) | 15,600 | 10,776 |
| Self contained (4 bed) | 19,200 | 14,079 |

- 6.4 However, the Council continue to look at other housing options which attract full Local Housing Allowance rates which will be considered with HRA opportunities. As indicated in this report the HRA option provides an additional means of providing affordable housing.

7. LEGAL IMPLICATIONS

- 7.1 Section 9 of the Housing Act 1985 is the key power for local authorities to provide housing accommodation.
- 7.2 The government issued Direction on 14 March 2019 with regards to HRA. Any local authority that owns fewer than 200 social dwellings does not need to account for them in a HRA, however conditions do apply. Any local housing authority that owns 200 or more social dwellings are required to account for them within their HRA.
- 7.3 Under section 74 of the Local Government and Housing Act 1989 (the 1989 Act) a local housing authority is required to keep a housing review account in accordance with proper practices. The keeping of the HRA is governed by Schedule 4 of the 1989 Act.. If a HRA is opened then the Council must follow "proper practices", as defined in Section 21 of the Local Government Act 2003, including Regulations and Guidance made thereunder

8. PROCUREMENT IMPLICATIONS

Whilst there are no procurement implications arising directly form this report. A future procurement exercise will be required to secure management and maintenance services for any properties held in the HRA. This will be subject to a further report setting out the recommendations for the management and maintenance model to be adopted along with the procurement routes and full timescales to ensure this is in place before units are operational.

| | |
|---------------------------------|----------------------------------|
| Non-Applicable Sections: | 9. PERSONNEL IMPLICATIONS |
|---------------------------------|----------------------------------|

| | |
|---|--|
| Background Documents: (Access via Contact Officer) | Executive Part 2 – Increasing housing supply to meet housing need. 28 th November 2018. Executive – part 1- Contingency drawdown homelessness and temporary accommodation pressures – 27 th March 2019 London Borough of Bromley Homelessness Strategy 2018-2023 Executive – part 1 -Transformation: Increasing affordable housing Supply: 21 st May 2019 Housing Strategy Homelessness Strategy |
|---|--|