

Executive Decision Report

Decision maker and date of Leadership Team meeting, and the earliest date the decision will be taken	Leadership Team – 26 February 2018 Forward Plan reference: KD05214 Leadership Team Portfolio: Deputy Leader and Lead Member for Grenfell Recovery, Housing and Property	 THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
Report title (decision subject)	HOUSING REVENUE ACCOUNT BUSINESS PLAN FEBRUARY 2018	
Reporting officer	Robyn Fairman, Director Grenfell Response Chris Buss, Director of Finance	
Key decision	Yes	
Access to information classification	<i>Public</i>	

1. EXECUTIVE SUMMARY

1.1 The Business Plan for the Housing Revenue Account (HRA) is attached at Appendix A.

1.2 The purposes of this Plan are:

- a) To set out the priorities and investment requirements for the Council's housing stock, concentrating on the next 5 years;
- b) To summarise the financial outlook for the Housing Revenue Account setting out key issues to be addressed and options for increasing resources for investment purposes;
- c) To set out planned levels of investment over the next 5 years and in particular to agree the HRA Capital Programme for 2018/19 and 2019/20 and

- d) To set out the Council's plans to deliver additional properties over the medium term and potential financing options.

2. RECOMMENDATION

- 2.1 It is recommended that the Council approves the latest version of the Housing Revenue Account Business Plan and the HRA Capital Programme for 2018/19.

3. REASON FOR THE DECISION

- 3.1 The need for a robust Business Plan has become important since the introduction of the Housing Revenue Account (HRA) self-financing regime in 2012, that shifted the financial control of the HRA from central government to local authorities. This plan outlines the finances that are available and sets out some proposed uses of these funds.

4. BACKGROUND

- 4.1 The first HRA Business Plan was presented 16th January 2013 following the introduction of self-financing. A Plan is drafted annually setting out plans for the medium term and any legislative changes that may have an impact on the delivery of the business objectives.

5. CONSULTATION

- 5.1 The Business Plan will be taken to the Housing and Property Scrutiny Committee on 13th March 2018 for discussion.

6. EQUALITY IMPLICATIONS

- 6.1 There are no negative equality implications arising from this report.

7. LEGAL IMPLICATIONS

- 7.1 There are no legal implications that are not otherwise dealt with in the report. It is however confirmed the Local Government and Housing Act 1989 requires the Council to maintain a Housing Revenue Account (HRA). Section 76 of this Act imposes "ring-fencing" arrangements in respect of a the HRA and places a duty on the Council to prevent a debit balance arising in HRA. (Legal implications considered by Angus Everett, solicitor Tri Borough Shared Legal Services).

8. FINANCIAL AND RESOURCES IMPLICATIONS

8.1 These are addressed within the report.

FOR DECISION

**Robyn Fairman, Director Grenfell Response
Chris Buss, Director of Finance**

Cleared by Finance (officer's initials)	SM
Cleared by Legal (officer's initials)	AE

Background papers used in the preparation of this Report:

None

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Housing Revenue Account

Business Plan – February 2018

1. Purpose

The purposes of this Business Plan are:

- (i) to set out the priorities and investment requirements for the Council's housing stock, concentrating on the next 5 years;
- (ii) to summarise the financial outlook for the Housing Revenue Account (HRA), setting out key issues to be addressed and options for increasing resources for investment purposes;
- (iii) to set out planned levels of investment over the next 5 years and in particular to agree the HRA Capital Programme for 2018/19 and 2019/20 and
- (iv) to set out the Council's plans to deliver additional properties over the medium term and potential financing options.

2. Financial Context

- 2.1 This is the first Business Plan for the Housing Revenue Account (HRA) following the fire at Grenfell Tower in June 2017.
- 2.2 The fire has completely changed the financial outlook for the Council including the Housing Revenue Account. This Business Plan is being compiled within this revised financial outlook for the HRA.
- 2.3 In previous years, uncertainty regarding a number of policy issues was impacting on our ability to predict the medium term financial outlook for the HRA.
- 2.4 There is more clarity regarding future rent levels (see section 12) and the timescale for the roll out of Universal Credit is now known (autumn 2018 for Kensington and Chelsea).
- 2.5 However, the possible requirement to pay a levy to Government linked to the forced sale of high value voids remains unclear. We have learned recently that no levy payment will be required in 2018/19. Whilst

welcome, there remains uncertainty regarding the size and timing of payments required in subsequent years. This issue is not considered further in this Business Plan but if the levy does go ahead then urgent action would be required to address its implications.

- 2.6 The transfer of responsibility for estate management offers an opportunity to review the use of HRA budgets. Funds could be redirected to higher priorities and efficiencies savings will be sought, particularly within the costs of management arrangements.

3. Strategic Links

Housing Strategy and Asset Management of the Stock

- 3.1 **Housing Strategy** - this sets out how the stock will be used to deliver statutory housing functions and deliver high quality accommodation to improve the lives of people who live in the borough.
- 3.2 **Asset Management Strategy** – this identifies priorities for investment; investment standards to be achieved; the approach to poorly performing stock and plans for improving energy efficiency and reducing fuel poverty.
- 3.3 During the next financial year the Council will be working with residents to review its approach to investment in the Council’s housing stock. This will involve a comprehensive review of the current asset management strategy, its asset management principles and the existing standards. This will be reviewed in conjunction with the results of the stock condition survey that is currently being undertaken.
- 3.4 Further details are set out in Appendix 1.

4. Current Stock – Investment Requirements

- 4.1 The costs shown in this section are based on data within the Keystone system. However, this data is based on a stock condition survey undertaken in 2010.
- 4.2 A new stock condition survey is being commissioned which will enable the data to be refreshed during the year.

4.3 The following table summarises the forecast spending needs over the next 30 years, this includes the current backlog. The figures are all at current prices i.e. no provision for future inflation has been included.

Table 1

30 Years	Backlog	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	Overall Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Communal Heating, Water and Electrics	3,170	29,414	21,621	3,096	4,335	4,626	4,752	71,014
Lifts	4,031	5,719	2,490	2,162	2,236	4,409	5,718	26,764
External Cyclical Programme e.g. Roofs and Windows	32,311	50,421	53,611	49,212	34,560	35,600	66,592	322,307
Internal Works e.g. kitchens and bathrooms	14,604	18,063	25,564	22,321	37,654	21,979	31,387	171,573
Capitalised works undertaken by Repairs Direct e.g. voids, repairs and aids/adaptations	0	12,508	11,660	11,660	11,660	11,660	11,660	70,808
Total	54,116	116,125	114,945	88,452	90,446	78,274	120,109	662,466

4.4 This suggests that on average, the annual budget at current prices needs to be around £22 million. This is significantly higher than the level of Capital Programme which has been set in recent years.

4.5 The following table shows the current level of investment that is needed over the next 5 years including the current backlog. The figures in this table are at outturn prices i.e. assumptions about inflation over the next 5 years have been included.

Table 2

5 Years	Backlog	2018/19	2019/20	2020/21	2021/22	2022/23	Years 1 to 5
	£'000						
Communal Heating, Water and Electrics	3,170	5,671	6,811	7,652	4,817	7,194	35,315
Lifts	4,031	1,316	1,758	3,043	0	0	10,147
External Cyclical Programme e.g. Roofs and Windows	32,311	9,017	18,671	9,174	10,295	7,565	87,032
Internal Works e.g. kitchens and bathrooms	14,604	3,394	4,539	7,190	1,964	2,511	34,201
Capitalised works undertaken by Repairs Direct e.g. voids, repairs and aids/adaptations	0	3,275	2,474	2,548	2,625	2,703	13,626
Total	54,116	22,673	34,253	29,606	19,701	19,972	180,321

4.6 Over the next 5 years, the overall need to spend is estimated to be in the region of £180 million. These figures include provision for future inflation and so differ from those in Table1.

4.7 The potential resources available are set out in sections 14 and 15.

4.8 The figures in tables 1 and 2 exclude the need to spend on the Lancaster West Estate. A separate budget provision is being created (see section 5).

5. Lancaster West Estate

- 5.1 As part of its autumn budget, the Government announced grant funding of £15 million towards refurbishment works on the Lancaster West Estate.
- 5.2 The Council has made a commitment to match this funding taking the total provision to £30 million. The Council's contribution will be funded through additional borrowing.
- 5.3 The Council has been working with residents on the estate to hear their views on what the investment priorities are as we want to ensure they are directly involved in shaping the design of their homes, community and the services they receive. Investing in the estate is not just about bricks and mortar; it is also about supporting the wider aspirations of the community which they will define and the Council will work with them to deliver these.
- 5.4 In conjunction with the Ministry of Housing, Communities and Local Government, a consultation event was held on 27th January with the community where a number of architects presented their ideas on how the estate could be refurbished. This was attended by 500 residents and we will be reviewing what they have told us before we progress any plans.

6. Former Regeneration Schemes

- 6.1 Prior to the fire at Grenfell Tower, there were a number of potential regeneration schemes being considered.
- 6.2 Following concerns raised by residents, the Council has now terminated these schemes. The Council will need to consider what action it will need to take with regard to any sites within these areas that may have potential for accommodating additional housing.

7. Trellick Tower

- 7.1 The current level of investment planned for essential repairs is £7.6m which was originally programmed to be spent in 2016/17 and 2017/18. Budget provision will be slipped to 2018/19.

The scope of works includes:

- Concrete repairs to the fabric of the building
- Repairs and restoration of all flat windows and replacement of the communal windows (Crittall windows)
- Repairs to roof coverings to the service tower and lower block roofs
- Decorations to all previously painted surfaces will also be included as part of the scope of works – windows, balcony railings and cedar wood cladding.

7.2 Works started on site in January 2017 but these works were delayed following the fire at Grenfell Tower. After these tragic events the Council felt that it was necessary to consult again with residents on the works and ensure that reassurances were given where residents had concerns. Following the consultation, the works recommenced on November 2017.

7.3 As a result of these delays, a claim for loss has been submitted by the contractor. This is being reviewed and if supported will increase the cost of the scheme.

7.4 There has also been a further delay in getting planning approval for the new crittall windows, the impact on the programme is being reviewed.

7.5 Despite the planned investment to tackle the external elements of the building, further investment will still be required in future years. The costs of maintaining this building will continue to exceed income, if the current tenure arrangements continue, resulting in a constant drain on the HRA. This means that a disproportionate amount of money will need to be spent on this building compared to the rest of the HRA stock, this may not be sustainable or feasible given the wider pressures on the HRA.

8. Fire Safety

8.1 The Council is committed to ensuring that residents' safety is an absolute priority and to delivering the highest possible standards it can in relation to fire safety and wider health and safety matters.

8.2 Since the Grenfell fire the Council has been reviewing its overall approach to fire safety and has undertaken the following actions:

- Commenced a £3.6m programme to replace fire entrance doors over the next two years;
- Identified £1m for the replacement of fire door closers;

- Set aside £1m for works relating to the results of fire risk assessments;
- Installed fire shutters on the Walkways at the Lancaster West Estate;
- Commissioned an independent audit of existing fire risk assessments (FRAs);
- Commenced a programme of approximately 700 new independent FRAs for all blocks to industry best standard, including sample intrusive surveys where recommended by the assessors (15% of the FRAs will be sampled by further independent checking);
- Commissioned and rolled out new RBKC compliance software for FRAs and future compliance areas;
- Published the format, schedule and quality control process for FRAs on the Council website;
- Commissioned a feasibility study for enhanced fire safety measures such as sprinklers;
- Drafted the Council's overarching fire safety policy and strategic objectives.

8.3 Over £5m in investment has been made available for fire safety works since the Grenfell fire tragedy. We are anticipating fire safety regulations arising from the Hackitt review and are awaiting these before committing additional funds.

9. Older People's Housing

9.1 The Council continues to explore ways to deliver new housing for older people. The Council's ambitions were set out in the Modernising Older People's Housing and Accommodation with Care Services Strategy in 2013. Further work has included consultation with residents about their aspirations for housing as they age and this is feeding into the Council's analysis of existing stock and projections for future demand.

9.2 The Council identified a site that has the potential to deliver homes for older people, both with and without on-site care services. Further analysis of options for the site and interim service provision are required and will make up part of the work stream to deliver new homes that are fit for the Council's older residents. The Council's Housing department is working with the Adult Social Care and Corporate Property departments to develop plans for delivery.

10. Greener Housing

- 10.1 The existing environmental strategy that works alongside the Asset Management Strategy has objectives which include the reduction of climate emissions through the stock, alleviating fuel poverty, and improving the health and wellbeing of residents. This strategy will also be reviewed in the coming year.
- 10.2 The strategy will set out the kind of interventions that the Council intends to make and will consider property based interventions and how we can work with residents to tackle fuel poverty and increase energy efficiency. We will be working with the Council's Climate Change Team to develop the strategy and will agree an action plan with them.
- 10.3 The Climate Change Team, with Housing Services, has commissioned work to analyse the energy performance of several social housing properties owned by the Council and to identify a range of energy efficiency measures and opportunities to reduce CO₂ emissions from the Council's stock.

The aims of the project were to:

- Analyse and collate existing housing and energy data to provide a detailed model of the energy performance of these estates;
 - Provide an estimate of average SAP/annual carbon emissions from domestic properties in the borough;
 - Measure the improved energy performance of the stock relating to investment programmes by measuring the average SAP of the stock;
 - Identify additional measures that meet various criteria that could be added to the work programme in 18/19 and 19/20;
 - Provide an archetype analysis of common dwelling types in the borough identifying retrofit measures with the greatest carbon emissions saving potential;
 - Seek most cost-effective way of reaching energy targets, such as minimum SAP rating.
- 10.4 We will be looking at the following funding options to help deliver this:
- RBKC Carbon offset fund could be an option (although we've only collected so far around £10k)
 - Energy Company Obligation scheme
 - Mayor's Energy Efficiency Fund and GLA Funding.

11. Procurement Arrangements

- 11.1 In order to deliver the capital programme the Council will continue to use the existing bespoke framework of contractors, from which it can call off up to two contractors to complete the works. These frameworks started in April 2015 and are now due to expire. During 2018 the Council will also be reviewing its approach to the procurement of major works and will deliver a new procurement programme.
- 11.2 A priority for delivery will be ensuring that we have the capacity to deliver on the capital programme moving forward. This will involve a review of the functions and the establishment of a comprehensive procurement programme.

12. Financial Outlook for the Housing Revenue Account

- 12.1 The standard approach is to look at expenditure and income cash flows over a 30 year period, with more certainty being given to the early years. A base position has been produced, but to do this a number of key assumptions have been made which are set out in the following paragraphs.

Rent Policy

- 12.2 The Welfare Reform and Work Act requires social rents to be reduced by 1% per annum over 4 years starting in 2016/17. Recently, the Government announced that at the end of the 4 year period rents would then increase by 1% above CPI. This arrangement will continue for the next 5 years. In our model we have assumed this higher than inflationary increase will continue throughout the 30 year period.

Debt Financing

- 12.3 The overall level of HRA debt is £210.164 million.
- 12.4 The Housing Revenue Account has historically funded most of its debt through fixed term loans with the Public Works Loan Board. As these loans have ended, the associated debts have been funded through use of the Council's cash reserves within the General Fund. As a result, the level of debt funded through the Council has continued to increase and currently stands at £85 million.
- 12.5 It is assumed that the significant change in the Council's financial position will prevent this arrangement from continuing or if it does then these sources of funding will be much more limited.

12.6 Within the financial model, it is assumed that all debt will be externally funded. This is considered a prudent assumption. However, in practice decisions will be made in accordance with the Council's Treasury Management Policy which is delegated to the Director of Finance.

12.7 No repayment of debt has been assumed over the 30 year period. This is in line with standard practice for social housing where it is assumed that the minimum revenue provision for debt repayment is nil.

Universal Credit

12.8 To support the roll out of Universal Credit and to help tenants make claims for Discretionary Housing Payments, the temporary welfare reform officers are being funded until March 2020.

Budget for Locally Agreed Works

12.9 Within the current HRA budget, there is provision of £200,000 for environmental and estate based improvements. The use of these funds is determined locally by residents. It is planned to increase this annual budget provision to £500,000 to enable more locally determined priorities to be funded.

Inflation

12.10 Most inflationary increases are linked to the Consumer Prices Index (CPI). The model assumes CPI to be 2% throughout the 30 year period.

Budgeted Revenue Contribution towards Capital Expenditure

12.11 Based on current spending plans set out in the HRA budget report (presented to the Housing and Property Scrutiny Committee in January 2018) contributions from this revenue source of funding are assumed to be £23.5 million in 2018/19 and £14.2 million in 2019/20. When provisions for Trellick, Fire Doors and Fire Related Assessment works are excluded, the budget available for capitalised repairs and improvements is £17.4 million in 2018/19 and £13 million in 2019/20. For the remainder of the 30 year model, an annual allocation of £10 million is assumed.

12.12 Hence, over the 5 year period 2018/19 to 2022/23, resources of around £60 million will be available for capitalised repairs and improvements.

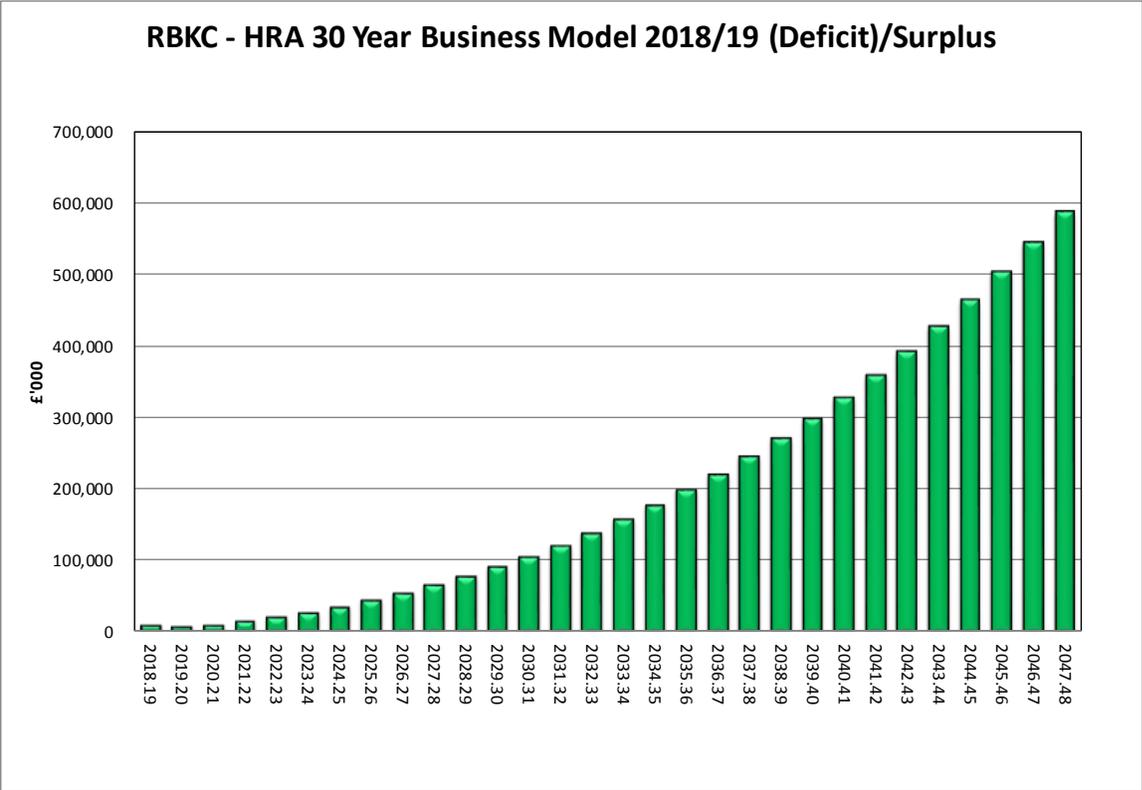
30 Year Forecast

12.13 Based on the above assumptions, the level of accumulated HRA surplus over the next 5 years is as follows:

	Balance
March 2018	19.9m
March 2019	7.7m
March 2020	6.5m
March 2021	8.8m
March 2022	13.2m
March 2023	19.3m

12.14 The balance at March 2018 makes assumptions regarding expenditure being charged against the Grenfell budget with financial support from the General fund, these funding arrangements being confirmed by the Ministry of Housing, Communities and Local Government.

12.15 The following chart shows the estimated HRA balance over a 30 year period (note all figures are in absolute cash terms):



12.16 This chart shows that the HRA is not predicted to go into deficit over this period, which would be illegal. However, in the early years the accumulated surplus is below £10 million and our ability to increase any expenditure budgets is limited.

12.17 In particular, funding a significant increase in the Capital Programme for the next 5 years from this funding source would not be possible.

12.18 There is no intention to keep the working balance at an unnecessarily high level. Following the new stock condition survey, spending needs will be refreshed. Decisions regarding the use of future surpluses will then be taken.

13. Options to Increase Capital Resources

- 13.1 This section consider ways in which resources for capitalised repairs and maintenance work can be increased over the next 5 years.

Use of Capital Receipts/Contributions

- 13.2 There remains capital receipts arising from the sale of basements at Elm Park Gardens. The amount currently unallocated stands at £2.9million.
- 13.3 Unallocated capital receipts arising from the granting of lease extensions and other capital contributions amount to £16million.
- 13.4 In March 2015, Cabinet agreed the Housing Revenue Account Assets Disposal and Conversion policy. This policy allows properties assessed as not being financially viable to be sold. Three properties have been sold under this policy, the capital receipts arising from these sales amounted to £5.4m which are still available for use. Other properties meeting the criteria of the policy may be identified.
- 13.5 The number of Right to Buy sales did significantly increase following the increases in discounts available to tenants, however the number of sales has reduced again in 2016/17. The intention is that the additional capital receipts available to councils are used to replace properties on a one for one basis. Such receipts cannot therefore be used to fund the cost of capitalised maintenance and repairs.

S106 contributions

- 13.6 All S106 contributions received by October 2017 have been committed to fund additional capital expenditure arising from the fire at Grenfell Tower. However, depending upon conditions within agreements, future contributions could be available for use on works to the current stock.

Borrowing

- 13.7 Despite the aim of HRA's becoming self-financing, local authorities have been set a borrowing cap for their HRA which cannot be exceeded. Authorities can borrow up to their cap provided they can afford to finance the loans.
- 13.8 The Royal Borough's cap is £221m, given our current debt our headroom for borrowing is only £11.4m.

13.9 However, following the fire at Grenfell Tower, a case was made to the then Department of Communities and Local Government which should result in our debt cap being increased by £150 million. A significant part of this is to be used for new build, however some can be directed towards capitalised repairs and refurbishment works.

13.10A working assumption is that £100 million will be used for new build projects and £15 million for works at the Lancaster West Estate.

13.11 Additional funding of between £40 and £45 million could therefore be allocated to capitalised repairs and maintenance works through the use of additional borrowing, funded from existing headroom and new capacity.

14. Planned Budget Provision for Capitalised Repairs and Improvements

14.1 Over the 5 year period, the following level of resources could be available:

Use of Revenue Resources	£60 million
Use of Capital Receipts/Contributions	£24 million
Use of Borrowing	£45 million
TOTAL	£129 million

14.2 It is likely that other capital expenditure requirements will be identified over the 5 year period. It is therefore considered prudent at this stage to assume a lesser amount will be used to fund capitalised repairs and improvements.

14.3 A working assumption is that £115 million is set aside for these purposes over the 5 year period. Borrowing would be used to fund expenditure in the later years, the cost of financing this borrowing increasing costs to be met from the HRA.

14.4 This position shows that the current level of investment needed over the next 5 years exceeds the funds available. Investment will therefore need to be prioritised in accordance with the Asset Management Strategy. The Asset Management Strategy adopts the principle of investment based on the following priority order:

- 1. Your health and safety
- 2. Keeping homes wind and weather tight
- 3. Inside your home

4. Improvements to communal areas
5. Improvements to neighbourhood

14.5 The following table provides a high level summary of how these resources will be allocated over the 5 year period:

5 Years	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Years 1 to 5 £'000
1. Your health and safety	7,454	1,758	3,074	0	0	12,285
2. Keeping homes wind and weathertight	6,645	8,768	21,837	18,734	5,535	61,519
3. Inside your home/Cyclical Works	0	0	0	6,923	20,647	27,570
4. Capitalised works undertaken by Repairs Direct e.g. voids, repairs and aids/adaptations	3,275	2,474	2,548	2,625	2,703	13,626
Total	17,374	13,000	27,460	28,282	28,885	115,000

14.6 The planned levels of investment over the next five years will enable health and safety and works required to keep homes wind and weather tight to be prioritised. However, other elements of work, such as the renewal of kitchens and bathrooms, may be reduced or deferred until such time as resources are available.

14.7 At this stage, no provision has been assumed for improvements to communal areas and neighbourhoods. This is due to the level of resources available and the relative priorities within the asset management strategy. However, the budget for locally agreed works (paragraph 12.10) has been increased and does provide some additional resources for environmental and estate based improvements.

14.8 The new stock condition survey will result in spending needs being updated during the year, this may change some of the spending proposals set out above. During the year, there will be discussions with residents regarding priorities and spending plans.

14.9 Our intention is to address the funding shortfall during years 6 to 10 of the 30 year Plan. The higher level of surpluses arising, see paragraph 12.16, will provide some additional resources. However, looking for efficiencies within the HRA and identifying opportunities to generate additional income are also likely to be ways in which this funding gap can be addressed.

15. Capital Budget for 2018/19

15.1 The overall proposed capital budget for the HRA in 2018/19 is as follows:

	Budget 2018/19 £000's
Capitalised Repairs and Improvements	17,374
Trellick Tower	2,671
Edenham Way	95
Fire Doors	2,400
Fire Related Assessments Work	1,000
TOTAL	23,540

15.2 Some of the budgets above include amounts arising from slippage on the 2017/18 programme. The actual budget for 2018/19 may change once the 2017/18 outturn position is finalised.

15.3 At this stage, the planned use of the allocation for Capitalised Repairs and Improvements is as follows:

	£000's
External Cyclical Decorations/Repairs	8,700
Lift Renewal/Door Entry	1,100
Communal Heating, Water and Electrics	1,900
Boilers	1,300
Capitalised works undertaken by Repairs e.g. voids, repairs, aids/adaptations	3,000
Other	1,374
	17,374

15.4 Appropriate consultation will be undertaken regarding the actual works being undertaken on individual estates.

15.5 Details on plans around Trellick, Edenham and Fire Safety Works are set out in the relevant paragraphs in this report.

16. Acquisition/Development of Additional Properties

16.1 The Council intends to increase the number of properties available for sub-market rent. Already, 176 properties have been acquired which are primarily being used to house former Grenfell residents on a protected rent level. Of these, 31 are new build properties at Hortensia Road. The remainder have been purchased on the open market. Dispensation has

been sought for these properties to be held within the General Fund to reduce the debt burden on the HRA.

- 16.2 An external consultant has been engaged to carry out a desktop review of opportunities for housing led development across the Borough. A report is expected to be available in March. Intensive work will then be undertaken with local communities to work up proposals and lever in support.
- 16.3 The timing and funding of any such housing developments will need to be determined over the next couple of years.
- 16.4 A working assumption is that £100 million of the additional borrowing capacity will be earmarked for housing developments. However, even if grant is available from the GLA at £60,000 per unit, charging a standard social rent would result in a deficit over a 30 year period. Such an approach would require either stock investment programmes to be reduced or cross subsidy from market sales.
- 16.5 The level of rents charged for additional properties will therefore need to be considered. They will need to have regard to guidance issued by the Mayor of London. In practice, for larger developments, a mix of rent arrangements is likely to be adopted and in some cases could include market rents.

17. Delivery

- 17.1 The Asset Management team will deliver the capital programme. Processes and monitoring are in place to ensure:
 - the on-going procurement timetable is met;
 - the Keystone Asset Management system and AIM database are up to date;
 - monthly review of capital programme spend requirements is undertaken;
 - quarterly and annual reporting of capital spend is undertaken.

18. Resident Engagement

- 18.1 The Council has undertaken to engage with the community and provide transparency. This extends to providing information on capital programmes and works associated with HRA estates.

18.2 The capital programmes associated with this plan require consultation with residents. We will consult with residents on the proposals, including the practicalities of how the works will be delivered.

18.3 Where more significant changes to estates are considered, the Council will carry out detailed consultation with residents on their aspirations for their home and neighbourhood, before reviewing with residents the best option for their home.

19. Conclusions

19.1 Over the medium term, the level of investment needed exceeds the resources available with the Housing Revenue Account. As a result, spending plans will need to be prioritised in accordance with the Asset Management Strategy.

19.2 The results of the commissioned stock condition survey may result negatively on the levels of investment required.

19.3 However, once the new rent regime starts in April 2020, the financial outlook for the HRA does begin to look more healthy.

20. Recommendations

20.1 It is recommended that:

- (i) The Council approves the Housing Revenue Account Business Plan and
- (ii) The HRA Capital Programme set out in section 15 is approved.

Strategic Links

1. Housing Strategy

The Royal Borough of Kensington and Chelsea's Housing Strategy 2013-17 sets out how we as a borough want to improve both the quality of accommodation and lives of people who live here by:

- **Resources** - Developing effective asset management and longer term business planning, taking advantage of the new regime for Council Housing finance (Self-Financing).
- **Development** – Renewing and developing new affordable housing where opportunities arise.
- **Housing Options** - Providing a service that enables people to make informed decisions about their housing options.
- **Vulnerable Residents** - Supporting people who are vulnerable with appropriate accommodation and advice services.
- **Employment and Training** – Enabling people in social housing to access employment and training opportunities.

The Housing Strategy is complemented by our Tenancy Strategy and Housing Allocation scheme which ensure that we meet housing need, appropriately allocate tenancies, provide tenancy options and promote mobility.

2. Asset Management Principles

The Council has adopted the Housing Revenue Account Asset Management Principles which provide a framework for ensuring that the stock performs to the highest possible standards:

- **Managing the housing assets** – Assessment of the financial performance of the stock and also other measures of broader neighbourhood sustainability.
- **Investing in homes to a local standard** – hierarchy of investment for six categories of work and provide the broad standards associated with each item.

This Business Plan aims to detail what needs to be done to realise our overall objectives and identify how we can maintain our housing assets to an agreed standard and continuously improve people's living environment.

3. Asset Management Strategy

HRA self-financing means that it is ever more important for stock owning councils such as RBKC to understand the performance of its housing assets and the resources available to maintain them. The current Assessment Management Strategy supports this by setting out:

- the expected standard that the Council's housing should meet.
- how investments will be prioritised within this standard, within agreed budgets.
- A framework for identifying and progressing options for non-performing assets.
- how energy efficiency within the stock will be improved.

The strategy is the framework for a five-year capital investment plan, setting out where the Council intends to invest in the short and medium term.

The proposed standards of investment are based on six categories of work:

- Your health and safety
- Keeping homes wind and weather tight
- Inside your home
- Improvements to communal areas
- Improvements to neighbourhood
- Accessibility.

The standard will be designed to fit within budgets available in the HRA Business Plan. Where short term resources are insufficient to deliver the standard, works will be prioritised based on cost and deliverability on the following basis:

- Statutory Compliance - Your health and safety
- Physical structure - Keeping your home wind and weather tight
- Modern facilities - Inside Your Home
- Improvements to communal areas and neighbourhoods.

A specific budget for disabled adaptations will be agreed to address the accessibility element of the standard.

5. The Profile of the Council's Stock

The total tenanted stock is 6,928 properties with a further 2,548 leasehold properties. This includes 62 hostel places and 176 sheltered units. The stock is predominately flatted, with a small number of houses. The majority are post war construction built during the boom in council housing. The Council's stock has a disproportionate number of studio and one bedroom properties. It also includes 12 listed buildings which covers 330 properties, and has almost 1400 properties in conservation areas.

The breakdown of the age of the stock is as follows:

	Tenanted	Leased	Total	
Pre 1919	1054	599	1653	18%
1919-44	516	189	705	7%
1945-64	2068	776	2844	31%
1965-74	1758	518	2276	24%
Post 1974	1333	511	1844	20%
Total	6729	2593	9322	