

TITLE OF REPORT: **Housing Revenue Account (HRA) 30 Year Business Plan**

REPORT OF: **Darren Collins, Strategic Director, Resources and Digital.
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and Healthy Communities.**

Purpose of the Report

1. Cabinet is asked to recommend to Council the proposed Housing Revenue Account (HRA) 30-year Business Plan 2021-2051.

Background

2. The HRA Business Plan is a key strategic document which sets out the Council's income and expenditure plans for delivering Council Housing Services in Gateshead.
3. Council agreed the Housing Revenue Account (HRA) budget for 2021/22 on 23 February 2021 which outlined draft budget estimates for the next 4 years based on the previous business plan and indicated that HRA reserves would be exhausted by 2029/30.
4. The report outlined the need for this position to be addressed to ensure a statutorily compliant business plan, and one which is viable, stress-tested and able to fully fund capital investment requirements over the short and longer term.
5. The new 30 year HRA Business Plan has been developed against a backdrop of enhanced regulation through the Charter for Social Housing Residents, changes in legislation, primarily the Fire Safety Act 2021 and a strong focus on compliance which means that having an HRA 30 Year Business Plan which is fully costed and sustainable is of paramount importance.

Proposal

6. The plan relies on a number of assumptions, and as this is a 30-year plan, assumptions become more uncertain with each year of the plan. The primary risks are in relation to future inflation and interest rates, however, the most up to date forecast information has been used in the preparation of the plan. These assumptions will be kept under review and revised annually as a minimum.
7. Overall, the revised HRA Business Plan (appendix 2) is a fully costed, sustainable plan and does not breach the minimum £3 million reserve balance during the life of the plan (30 years).
8. In order to incorporate all the cost pressures and anticipated capital investment, including new social housing stock, over the longer term borrowing will need rise

significantly above the current levels and medium term efficiency savings will be required.

9. Whilst the borrowing is affordable within this plan, debt needs to be managed in the overall context of affordability for the Council. The risks associated with borrowing will therefore need to be kept under review.
10. The plan requires as a minimum efficiency savings over the medium term of £3.350 million. It is important that the savings are underpinned by a robust delivery plan which will be developed during the budget setting process.
11. This plan incorporates the capital investment requirements of the current dwelling and non-dwelling stock including stock options in relation to high rise blocks and older persons accommodation to be explored and the outcomes delivered and should be read in conjunction with the HRA Asset Management Strategy.
12. In addition, there is also the provision to complete the demolition of Sir Godfrey Thompson Court and Crowhall Towers.
13. The plan will also support the emerging Residential Growth Strategy enabling the development of 40 units of social housing per annum over a 10-year period funded from the HRA.

Recommendations

14. Cabinet is asked to recommend Council to approve the Housing Revenue Account (HRA) 30 Year Business Plan 2021-2051 as set out in Appendix 2.

For the following reasons:

- (i) To ensure the medium to long term sustainability of the Housing Revenue Account.
- (ii) To realise the Council's policies and objectives in relation to the Housing Strategy in order to maintain and enhance Council Housing provision in Gateshead.
- (iii) To assist in the delivery of the Council's vision for Gateshead as set out in Making Gateshead a Place where Everyone Thrives.

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Policy Context

1. The proposals support the overall vision for Gateshead as set out in Making Gateshead a Place Where Everyone Thrives including achieving the following outcomes: providing good quality housing with a mix of tenures and affordable options that meet the needs of local people including families and older people enabling them to live healthy lives and to make healthy choices, preventing ill health.
2. The Housing Strategy 2019-2030 identifies clear housing objectives and priorities, puts forward a vision for housing in Gateshead, and sets a framework for how the Council will deliver services and interventions, and work in partnership with others, in a way that will help achieve those objectives using increasingly scarce resources proportionately and effectively. It includes three overarching strategic objectives:
 - Sustainable housing and economic growth
 - Sustainable neighbourhoods
 - Improved health & wellbeing
3. In addition to these overarching objectives one of the key themes embedded in the strategy is supporting the long-term sustainability of the Council's housing stock and the Housing Revenue Account (HRA).

Background

4. The HRA Business Plan sets the Council's long-term investment strategy to maintain the quality of its housing stock. The plan is reviewed, at least, annually and uses current levels of income and expenditure information and projects this for the next 30 years applying several key assumptions in relation to the anticipated stock changes arising from right to buy sales, acquisitions and known new build and regeneration plans, the number of void properties, the policy on rent and service charge increases, repairs and maintenance and property management costs, capital investment requirements based on stock condition information and forecast borrowing costs.
5. In previous years a significant number of challenges have been placed on the HRA Business Plan because of:
 - Legislative change such as the impact of the Housing and Planning, and Welfare Reform Acts.
 - The imposition of a social rent cut of 1% per year, for 4 successive years commencing April 2016.
 - Increased buildings compliance and regulatory requirements, particularly post-Grenfell and including new targets for carbon neutrality.
6. In addition, there is a need to:
 - a. Address uneconomic and poor performing housing stock in Gateshead. Stock condition and demand information confirms that the required expenditure on some schemes over the short and longer term significantly exceeds any income from those schemes due to poor or no demand, coupled with the need for high value investment works. There is an outstanding need to appraise all available options for these schemes over the coming months.
 - b. Identify operational efficiencies and more effective ways of working to ensure they are providing value for money and maximising HRA performance, particularly in relation to voids, income collection and day to day maintenance.

7. Council agreed the Housing Revenue Account (HRA) budget for 2021/22 on 23 February 2021 which outlined draft budget estimates for the next 4 years based on the previous business plan and indicated that HRA reserves would be exhausted by 2029/30 and the plan falling into a cumulative deficit.

The revised HRA 30 Year Business Plan

8. In the development of the new plan consideration has been given to the most up to date information available to inform the assumptions, modelling of unsustainable stock options, consideration of the input costs, a review of the void processes, wider development requirements and the availability of resources to invest in new stock.
9. Overall, the revised HRA Business Plan (appendix 2) is fully costed and does not breach the minimum £3 million balance during the life of the plan (30 years). However, in order to incorporate all of the cost pressures and anticipated capital investment, including new social housing stock, borrowing over the long term will need to rise significantly above the current levels and as a minimum efficiency savings over the medium term of £3.350 million, the phasing of which is:

Year	Total Annual Savings £000	Total Cumulative Savings £000
2022/23	566	
2023/24	774	1,340
2024/25	737	2,077
2025/26	828	2,905
2026/27	445	3,350
Total	3,350	

Capital Investment

10. The capital investment included in the plan is based on the stock condition surveys of the current stock and also includes the following:
- Progress towards net zero carbon
 - Ensuring compliance with building safety measures
 - Investment in garage sites
 - Investment in IT Infrastructure
 - Investment in the commercial stock
 - Investment in communal areas and the wider environment
11. The plan includes provision for the delivery of stock options reviews in relation to both high rise blocks and older persons accommodation and to complete the demolition of Sir Godfrey Thompson Court and Crowhall Towers.
12. The plan also provides for the development of new social housing units of 40 per annum for 10 years from 2022/23 and it has been assumed that there will be an opportunity to bid for Homes England grant funding to support the delivery of these units.

Consultation

13. Consultation has taken place with the Leader and Deputy Leader, and Cabinet Member for Housing.

Alternative Options

14. There are no alternative options proposed.

Implications of Recommended Option

15. Resources

- a. **Financial Implications** – The Strategic Director, Resources and Digital, confirms that the financial implications are reflected in the HRA Business Plan document at appendix 2.

The proposed HRA 30 Year Business Plan enables the investment priorities for the HRA to be delivered whilst ensuring the overall HRA reserve balance remains above £3 million.

The plan includes medium term efficiencies of £3.350 million which are required to ensure the HRA plan is fully costed and sustainable over the longer term.

- b. **Human Resources Implications** – Any direct implications will form part of the budget planning framework and identification of budget proposals.
- c. **Property Implications** – Capital investment in HRA assets helps to improve the overall sustainability of the HRA and supports the delivery of corporate priorities under the Thrive agenda.

16. **Risk Management Implications** – In the development of the HRA Business Plan a risk assessment of the assumptions has been carried out. As this is a 30 year plan it is sensitive to changes in the assumptions and therefore it is important that the plan is kept under review being refreshed at least annually and that savings required are underpinned by a robust savings delivery plan which will be developed during the budget setting process.
17. **Equality and Diversity Implications** – An equality impact framework has been developed to assess efficiency proposals.
18. **Crime and Disorder Implications** – No direct crime and disorder implications.
19. **Health Implications** – No direct health implications. Delivery of the investment priorities supported by this plan are likely to have positive health outcomes.
20. **Sustainability and Climate Emergency Implications** – The report contains a number of measures, which will help deliver a more Sustainable Gateshead and support the delivery of the HRA Asset Strategy which includes net zero carbon measures for the Council's housing stock.
21. **Human Rights Implications** – No direct human rights implications.
22. **Ward Implications** – All wards will be affected by the proposals in this report.

Background Information

Direction on the Rent Standard 2019
The Housing Revenue Account Self Financing Determinations February 2012
Local Government and Housing Act 1989
Localism Act 2011