

TITLE OF REPORT: **Housing Revenue Account Options Appraisal
Recommendations**

REPORT OF: **Colin Huntington, Strategic Director, Housing,
Environment and Healthy Communities.**

Purpose of the Report

1. To update the Cabinet on the progress made against the options appraisals identified in the Housing Revenue Account (HRA) Asset Management Strategy.
2. To seek Cabinet approval for the decommissioning of Redheugh & Eslington Courts and Warwick Court as part of the work to support a statutorily compliant business plan able to fund a compliant, well maintained and sustainable housing stock.

Background

3. Cabinet agreed a new HRA Asset Management Strategy on 19 October 2021. The report detailed the steps that needed to be taken over the next 5 years to maintain a 30 year business plan that is informed, affordable and fully funded.
4. Proposals in the strategy detail that the HRA will need to divest from 5 high rise blocks during the term 2022-2027. Decommissioning and demolishing 4 of them and decommissioning and renovating the fifth to provide a new supported housing offer on a smaller scale. Redheugh & Eslington Courts and Warwick Court have been identified as 3 of those high-rise blocks.
5. Redheugh and Eslington Courts have a history of low demand and high cost. The two blocks have a number of building elements that are nearing the end of their maintainable life and will require significant investment to replace. Due to the size, scope and construction of the blocks retrofitting costs for energy improvement works are also expected to be significantly higher than the average for the wider HRA stock.
6. Warwick Court also has a history of high void levels and high cost. All major building elements and services need replacement and initial investigations indicate that as part of any major refurbishment it may be possible to alter the configuration of the building. Providing fewer flats, with better layout and space standards.

7. As part of the HRA business planning work a new business planning tool was procured to enable complex and detailed scenario planning to be undertaken, including the modelling of changes to the stock and investment plans. As part of the modelling work appraisals were carried out on the impact of decommissioning Redheugh, Eslington and Warwick Courts.
8. The options appraisals on these blocks have demonstrated that divesting from them has a positive impact upon HRA sustainability due to the costs associated with maintaining, managing and repairing the blocks over the 30 years of the business plan.
9. All three of the blocks have historically suffered from low demand, carrying an above average proportion of void properties. They also perform badly on the HRA Viability Tool, with an overall negative Net Present Value (NPV). Redheugh and Eslington also come out as the poorest performing assets in the social housing portfolio.
10. Following consultation with the ward members residents were consulted on their opinions of living in the blocks and their aspirations for the future. The feedback from the consultation exercise showed that on both sites the majority of respondents viewed their flat as a long-term home (59% in Redheugh & Eslington & 57% in Warwick)
11. Residents were also asked if they felt their block and flat met their aspirations for a modern home, 54% of respondents in Redheugh & Eslington felt that their aspirations were met. In Warwick 52% of respondents felt that neither the block or flat met their aspirations for what a modern home should offer.
12. Residents were also asked if they felt their blocks needed major or minor investment, or something else. On both sites customers responses were split evenly across the two options, with no clear preference for either. On both sites residents expressed a desire to see improvements to flat heating systems. The need for new windows was raised heavily by the respondents from Warwick Court.
13. As part of the HRA business planning process the business planning tool was used to assess the impact of decommissioning the blocks. The modelling exercise assessed the impact on the HRA Business Plan of removing the forecast future expenditure on these buildings, this included forecast repair, maintenance, management and investment costs. It also included the cost to demolish the buildings and the associated loss of income.
14. The model highlighted that even with the loss of future income, the decommissioning of these buildings has a positive impact upon the HRA Business Plan over the next 30 years, helping the Council to maintain a compliant housing revenue account.

Proposals

15. It is proposed to commence the decommissioning of Redheugh & Eslington Courts from April 2022, with these buildings being demolished over the following three years from 2022/23. The decommissioning exercise should include the crescent of garages to the rear of the site.
16. A Teams Strategic Regeneration Framework will be developed for the potentially cleared site and will include consideration of the development opportunities at the Clasper Village and Askew Road sites.
17. The proposal for Warwick Court is to commence an appraisal of the building to assess whether it can be decommissioned, renovated and recommissioned to provide an alternative smaller specialist housing offer. Decommissioning the building will commence from April 2022.
18. Depending on the outcome of the appraisal Warwick Court will be either converted and recommissioned or demolished over the three years from 2022/23. A further report will be presented to Cabinet on the findings from the appraisal.
19. It is proposed that following approval the existing void properties across the three blocks be removed from the Housing Revenue Account rent roll.
20. All the occupied properties are tenanted, except for two leaseholders one in Eslington Court and a second in Warwick Court. Where practical the buildings will be decommissioned in a phased manner, allowing for the isolation of services and securing of the blocks. In line with the plans for decommissioning tenants will be prioritised for re-housing. Home-loss and disturbance payments and support with moving will be made as appropriate.
21. Negotiations to acquire the two residential leasehold properties should also commence and a suitable compensation package developed. Should negotiations not be successful it will be necessary to seek to compulsorily acquire the properties using compulsory purchase powers as a last resort.
22. To better align physical resources with the forecast time scales for decommissioning, the Estate Regeneration Officer post should be extended to the end of March 2025. Changes to the residential caretaker arrangements in the blocks will also support the decommissioning process.
23. As part of the decommissioning process the Council will need to hold discussions with Teams & Bensham Community Care. The group lease the former detached communal lounge on the Redheugh & Eslington site from the Council. From here they provide a range of services that are closely aligned to the Thrive agenda. The current lease is for a period of 5 years from 14 January 2019. The building is separate from the two high rise and is not at this stage part of the decommissioning proposals. However, the decommissioning process and demolition of the blocks will have an impact on the property and access to it.

Recommendations

24. It is recommended that Cabinet:
- (i) Approve the decommissioning of Redheugh & Eslington Courts and the associated garages from April 2022, with these buildings being demolished over the following three years from 2022/23.
 - (ii) Approve the decommissioning of Warwick Court from April 2022 and the commencement of an appraisal of the building structure to assess whether it can be decommissioned, renovated and recommissioned to provide an alternative smaller specialist housing offer.
 - (iii) Approve the prioritisation of tenants for rehousing; the issuing of Home-loss and disturbance payments as appropriate and the removal of the existing void properties from the Housing Revenue Account rent roll.
 - (iv) Authorise the Strategic Director, Housing, Environment and Healthy Communities to commence negotiations to acquire the two residential leasehold properties and develop a suitable compensation package. Should negotiations not be successful to compulsorily acquire the properties using compulsory purchase powers as a last resort.
 - (v) Approve the extension of the HRA Estate Regeneration Officer post to March 2025, and changes to the residential caretaker arrangements in the blocks, to support the decommissioning process.

For the following reasons:

- i) To set a Housing Revenue Account that is not in debit as required under the Local Government and Housing Act 1989 (Part VI) and is able to meet its short- and long-term investment requirements.
- 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). Sustainability must be driven by a robust asset management strategy that is supported by informed accurate data and property performance information.

Background

4. Cabinet agreed the new housing asset strategy for 2022/27 in October 2021. It detailed the steps that needed to be taken to maintain an affordable and sustainable Housing Revenue Account.
5. The Council owns and manages over 18,000 homes valued at £733.4m; in addition, it has non-domestic assets valued at a further £12.2m. The physical and financial performance of these assets underpins the viability of the Housing Revenue Account (HRA). The quality of its assets and how they perform also directly impacts on customers and the communities that they are part of. A good quality and well-maintained home can significantly impact upon the health, wellbeing and quality of life of our residents.
6. Over the past year, we have worked to develop a fit for purpose HRA Business Plan and have done extensive work to understand our costs, investment requirements and future obligations. This work has led to the production a of 30 year business plan that is now informed, affordable and fully funded.

7. To deliver the financial plan, several stock options scenarios have been modelled, based on stock performance and assets' sustainability. These scenarios will need to be delivered over the period of the strategy to ensure the affordability of the financial plan is maintained.
8. The strategy identified four sections of stock as key areas of concern. These sections of the stock were categorised as being low demand and high cost, with a negative net present value (NPV).
9. Proposals in the strategy detail that the HRA will need to divest from 5 high rise blocks during the term 2022-2027. Decommissioning and demolishing 4 of them and decommissioning and renovating the fifth to provide a new supported housing offer on a smaller scale. Redheugh & Eslington Courts and Warwick Court have been identified as 3 of those high-rise blocks.
10. Redheugh and Eslington Courts are two 21 storey high rise blocks in the Teams area. The blocks have a history of low demand and high cost. There is an oversupply of flat accommodation in the area around the blocks with high levels of low and medium rise flat accommodation across both the social and private sectors.
11. The two blocks have several building elements that are nearing the end of their maintainable life and will require significant investment to replace. Due to the size, scope and construction of the blocks retrofitting costs for energy improvement works are also expected to be significantly higher than the average for the wider HRA stock.
12. Warwick Court also has a history of high void levels and high cost. The block has the highest concentration of bedsit accommodation and some of the 1 bed flats have poor space and layout, making them unpopular with customers.
13. All major building elements and services need replacement and initial investigations indicate that as part of any major refurbishment it may be possible to alter the configuration of the building. Providing fewer flats, with better layout and space standards. Warwick Court is also on the boundary of the High Street South development site.
14. As part of the business planning work a new business planning tool was procured to enable complex and detailed scenario planning to be undertaken, including the modelling of changes to the stock and investment plans. As part of the modelling work appraisals were carried out on the impact of decommissioning Redheugh, Eslington and Warwick Courts.
15. The options appraisals on these blocks have demonstrated that divesting from them has a positive impact upon HRA sustainability due to the costs associated with maintaining, managing and repairing the blocks over the 30 years of the business plan.
16. All three of the blocks have historically suffered from low demand, carrying an above average proportion of void properties. They also perform badly on the

HRA Viability Tool, with an overall negative NPV. Redheugh and Eslington also come out as the poorest performing assets in the social housing portfolio.

17. The viability tool rates the performance of the HRA assets on a Red / Amber / Green (RAG) rating system, with Green being the best performing stock and Red the poorest. The model draws in business performance information from several sources including rent, repairs, maintenance, investment and demand.
18. There are no Green performing properties in any of the three blocks. All of the properties in Redheugh and Eslington have an overall RAG rating of Red and the majority of the properties in Warwick are also red.
19. Following consultation with the ward members residents were consulted via a telephone survey. Their opinions were sought on living in the blocks and their aspirations for the future. The feedback from the consultation exercise showed that on both sites the majority of respondents viewed their flat as a long-term home (59% in Redheugh & Eslington & 57% in Warwick)
20. Residents were also asked if they felt their block and flat met their aspirations for a modern home, 54% of respondent in Redheugh & Eslington felt that their aspirations were met. In Warwick 52% of respondents felt that neither the block or flat met their aspirations for what a modern home should offer.
21. Residents were also asked if they felt their blocks needed major or minor investment, or something else. On both sites customers responses were split evenly across the two options, with no clear preference for either. On both sites residents expressed a desire to see improvements to flat heating systems.
22. The impact anti-social behaviour has on the quality of life of residents also featured commonly in resident responses. Comments were also received from Redheugh and Eslington about the need for improvements to building services. The need for new windows was raised heavily by the respondents from Warwick Court.
23. As part of the HRA business planning process the business planning tool was used to assess the impact of decommissioning the blocks. The modelling exercise assessed the impact on the HRA Business Plan of removing the forecast future expenditure on these buildings, this included forecast repair, maintenance, management and investment costs. It also included the cost to demolish the buildings and the associated loss of income.
24. The modelled highlighted that even with the loss of future income, the decommissioning of these buildings has a positive impact upon the HRA Business Plan over the next 30 years, helping the Council to maintain a compliant housing revenue account.

Proposals

25. There are three potential options for consideration at Redheugh & Eslington Court
 1. The blocks could be retained, with major investment work planned to improve them.
 2. The blocks could be retained, with minor investment work planned to maintain the buildings in their current condition.
 3. The blocks could be decommissioned and demolished when empty.
26. Neither option one or two offer value for money to the HRA. There is no demand locally for the blocks and this has been the position for a number of years, with vacant properties readily available. Investment on a major or minor scale will not increase demand, would not improve performance and would not offer value for money to the HRA.
27. Decommissioning Redheugh & Eslington Courts from April 2022, with the buildings being demolished over the following three years from 2022/23 would have a positive impact upon the HRA business plan. The demolition would also create a potential development site for a new lower density housing development.
28. There is also a crescent of 27 garages to the rear of Redheugh & Eslington Courts. These garages should form part of the decommissioning of the site and the tenancies would need to be ended in line with the conditions of their tenancy agreement.
29. A Teams Strategic Regeneration Framework will be developed for the potentially cleared site and will include consideration of the development opportunities at the Clasper Village and Askew Road sites.
30. There are four potential options for consideration for Warwick Court
 1. The block could be retained, with major investment work planned to improve it.
 2. The block could be retained, with minor investment work planned to maintain the building in its current condition.
 3. The block could be decommissioned, with an appraisal undertaken to establish if a new lower density specialist housing offer could be created in the existing building. An offer that would complement the High Street South regeneration and positively support the social housing offer in the Town Centre.
 4. The block could be decommissioned and demolished when empty.

31. The most appropriate proposal for Warwick Court would be option three, to commence an appraisal of the buildings capacity to be converted. This would assess whether the building can be decommissioned and then renovated and recommissioned to provide an alternative smaller specialist housing offer. This would not include the potential for existing residents to return. Decommissioning the building could commence from April 2022. Depending on the outcome of the appraisal Warwick Court could be either converted and recommissioned or demolished over the three years from 2022/23.
32. Option one and two would not address the key issues facing the block. They would not tackle demand and would not address the poor space and layout designs that are unpopular with customers.
33. Across both sites the occupied properties are tenanted, except for two leaseholders one in Eslington Court and a second in Warwick Court. Tenants would be prioritised for re-housing. The property eligibility rules as set out in Section 3 of the Council Lettings Policy will apply and tenants will be made aware of the types of properties, they would be eligible for. Where people with equal priority apply for a home, length of tenancy will be used to determine which applicant will be considered.
34. Analysis of the current available stock demonstrates that there is a high proportion of low rise and high rise flats in the immediate area surrounding both sites. So, should tenants seek to remain in the local area there should, over the term of the decommissioning process, be a supply of appropriate properties to assist in rehousing. The decommissioning of the blocks will place additional demand on the housing register and may reduce the availability of single person accommodation during this period. Home loss and disturbance payments and support with moving would be made as appropriate.
35. Negotiations to acquire the residential leasehold properties should also commence and a suitable compensation package developed. Should negotiations not be successful it would be necessary to seek to compulsorily acquire the properties using compulsory purchase powers as a last resort.
36. As part of the decommissioning process the Council will need to hold discussions with Teams & Bensham Community Care. The group lease the former detached communal lounge on the Redheugh & Eslington site from the Council. From here they provide a range of services that are closely aligned to the Thrive agenda. The current lease is for a period of 5 years from 14 January 2019. The building is separate from the two high rise and is not at this stage part of the decommissioning proposals. However, the decommissioning process and demolition of the blocks would have an impact on the property and access to it.
37. The Council currently has a dedicated Estate Regeneration Officer assigned to the decommissioning project that is currently ongoing in Felling. This post was created to support customers through the decommissioning process and act as a coordination role for the project. This position is due to come to an end this financial year as the Felling project starts to conclude from a

customer support perspective. It is proposed that this position is now extended to March 2025 so that the skills and expertise gained during the work at Felling can be transferred and used to support the customers in Redheugh, Eslington and Warwick Courts.

38. Changes to the residential caretaker arrangements in the blocks will also support the decommissioning process, ensuring that robust, agile and flexible caretaking services are in place to maintain building standards.
39. A project group has been set up with a series of senior officers to start planning the next steps, process, plan and communications strategy that will be needed to support the decommissioning of the blocks. The group will also provide members with the confidence that the entire process will be effectively managed, protect customers and mitigate against any potential risk for the Council.

Consultation

40. Consultation has taken place with the Leader, Cabinet Member for Housing and Ward Members.
41. A telephone consultation has been undertaken with residents and a report has also been presented to the Strategic Housing Board. The Strategic Housing Board supported the proposals being presented.

Alternative Options

42. These are set out in paragraphs 25 and 30 above.

Implications of Recommended Option

43. Resources

- a. **Financial Implications** – The Strategic Director, Resources and Digital, confirms that the proposals are costed and funded within the HRA business plan and help support the delivery of a sustainable HRA able to meet its priorities.
- b. **Human Resources Implications** – There are staffing implications associated with the report. The proposals require the extension of the Estate Regeneration Officer post through to 2025. There are also forecast changes to the existing caretaking arrangements in the blocks and work will be undertaken with the affected officers and their union representatives.
- c. **Property Implications** – Negotiations to acquire the residential leasehold properties will need to commence and a suitable compensation package developed. Should negotiations not be successful it will be necessary to seek to compulsorily acquire the properties using compulsory purchase powers as a last resort.

44. **Risk Management Implications** - The proposals in the report have been developed to mitigate the risks associated with not maintaining a sustainable and affordable Housing Revenue Account. A risk management plan will be developed for the decommissioning project to protect residents and mitigate risk.
45. **Equality and Diversity Implications** – An Integrated Impact Assessment has been completed for the proposals and is available upon request.
46. **Crime and Disorder Implications** – Effective property and building management, condition and repair contribute positively towards community safety.
47. **Health Implications** – The report supports work that ensures the quality and condition of the HRA’s assets and will contribute to the health and wellbeing of the tenants and residents.
48. **Sustainability and Climate Emergency Implications** – The report supports the delivery of a sustainable and affordable Housing Revenue Account that is able to meet the challenges associated with reaching Net Zero Carbon.
49. **Human Rights Implications** – There are no direct human rights implications arising from this report.
50. **Ward Implications** – The report has implications for the Bridges and Dunston and Teams Wards.

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