

# Public Document Pack



All Members of the Council

My Ref: LCS-DLDS-DS-C-022  
Your Ref:

Contact Roz Patterson  
Tel: 0191 4332088

Date: Wednesday, 18  
January 2023

## NOTICE OF COUNCIL MEETING

You are summoned to attend a meeting of Gateshead Metropolitan Borough Council to be held in the Council Chamber, Gateshead Civic Centre, at **2.30 pm** on **Thursday, 26 January 2023** to transact the following business:-

**1 To confirm the Minutes of the meeting held 24 November 2022** (Pages 3 - 10)

**2 Official Announcements**

*(announcements may be made by the Mayor, Leader of the Council or the Chief Executive)*

**3 Director of Public Health Annual Report**

**4 Petitions**

*(to receive petitions submitted under Council Procedure Rule 10)*

**5 Questions from Members of the Public**

*(to consider any questions submitted under Council Procedure Rule 7)*

## RECOMMENDATIONS FROM CABINET

- 6      **Housing Revenue Account (HRA) 30 year Business Plan** (Pages 11 - 44)
  
- 7      **Local Boundary Commission for England - Electoral Review of Gateshead Council** (Pages 45 - 116)
  
- 8      **Calendar of Meetings 2023/24** (Pages 117 - 136)
  
- 9      **Revenue Budget Third Quarter Review 2022/23** (Pages 137 - 144)
  
- 10     **Capital Programme and Prudential Indicators 2022/23 – Third Quarter Review** (Pages 145 - 158)

## MOTIONS AND QUESTIONS

### 11      **Notice of Motion**

*(to consider any notices of motion submitted in accordance with Council Procedure Rule 9.1)*

11a    Notice of Motion - Fruit from Orchards (Pages 159 - 160)

11b    Amendment to Motion (Pages 161 - 162)

### 12      **Questions**

*(to deal with any questions submitted in accordance with Council Procedure Rule 8.1)*



**Sheena Ramsey**  
Chief Executive

## GATESHEAD METROPOLITAN BOROUGH COUNCIL

### COUNCIL MEETING

Thursday, 24 November 2022

**PRESENT:** THE MAYOR COUNCILLOR D BURNETT (CHAIR)

Councillors: J Adams, V Anderson, R Beadle, D Bradford, C Buckley, P Burns, L Caffrey, B Clelland, P Craig, C Davison, W Dick, S Dickie, P Diston, K Dodds, C Donovan, A Douglas, S Gallagher, M Gannon, A Geddes, F Geddes, J Gibson, T Graham, J Green, L Green, S Green, G Haley, M Hall, H Kelly, L Kirton, P Maughan, K McCartney, J McCoid, J McElroy, E McMaster, M McNestry, J Mohammed, L Moir, B Oliphant, A Ord, C Ord, M Ord, I Patterson, S Potts, D Robson, S Ronchetti, J Simpson, J Turner, J Wallace, R Waugh, D Weatherley, H Weatherley, D Welsh and K Wood

**APOLOGIES:** Councillors: M Brain, J Eagle, B Goldsworthy, M Goldsworthy, S Hawkins, H Haran, P McNally, R Mullen, J Reay, J Turnbull and A Wintcher

#### CL49 HONORARY ALDERMEN/ALDERWOMEN OF THE BOROUGH

COUNCIL RESOLVED - That the Gateshead Metropolitan Borough Council, under the provisions of the Local Government Act 1972, hereby confers the title of Honorary Alderman/Alderwoman upon the following former councillors in recognition of their eminent service to the Council:

Christine Bradley	2007 – 2019
Marilyn Charlton	2010 – 2022
Susan Craig	2008 – 2022
Malcolm Graham	1988 – 2019
Mick Henry CBE	1986 – 2019
Michael Hood	2008 – 2021
Jean Lee	2004 – 2021
John McClurey	2008 – 2021
Robin Stanaway	2000 – 2010
Neil Weatherley	1998 – 2019
Anne Wheeler	2010 – 2022

And accordingly it hereby admits the above former councillors to be Honorary Aldermen/Alderwomen.

**CL50 HONORARY FREEDOM OF THE BOROUGH**

COUNCIL RESOLVED

- That Gateshead Metropolitan Borough Council, under the provisions of the Local Government Act 1972, hereby confers the Honorary Freedom of the Borough upon:

Mick Henry CBE  
David Olusoga OBE  
Bobby Pattinson

And accordingly it hereby admits Mick Henry CBE, David Olusoga OBE and Bobby Pattinson as Honorary Freemen of the Metropolitan Borough of Gateshead.

**Mayor.....**

**GATESHEAD METROPOLITAN BOROUGH COUNCIL**

**COUNCIL MEETING**

**Thursday, 24 November 2022**

**PRESENT:** THE MAYOR COUNCILLOR D BURNETT (CHAIR)

Councillors: J Adams, V Anderson, R Beadle, D Bradford, C Buckley, P Burns, L Caffrey, B Clelland, P Craig, C Davison, W Dick, S Dickie, P Diston, K Dodds, C Donovan, A Douglas, S Gallagher, M Gannon, A Geddes, F Geddes, J Gibson, T Graham, J Green, L Green, S Green, G Haley, M Hall, H Kelly, L Kirton, P Maughan, K McCartney, J McCoid, J McElroy, E McMaster, M McNestry, J Mohammed, L Moir, B Oliphant, A Ord, C Ord, M Ord, I Patterson, S Potts, D Robson, S Ronchetti, J Simpson, J Turner, J Wallace, R Waugh, D Weatherley, H Weatherley, D Welsh and K Wood

**APOLOGIES:** Councillors: M Brain, J Eagle, B Goldsworthy, M Goldsworthy, S Hawkins, H Haran, P McNally, R Mullen, J Reay, J Turnbull and A Wintcher

**CL51 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 13 OCTOBER 2022**

COUNCIL RESOLVED - That the minutes of the meeting held on 13 October 2022 be approved as a correct record.

**CL52 OFFICIAL ANNOUNCEMENTS**

**Labour Appointment**

Council noted that Councillor Jill Green will fill the vacancy on the Joint OSC for the North East and Cumbria ICS and North and Central ICPs.

**CL53 PETITIONS**

There were no petitions submitted.

**CL54 QUESTIONS FROM MEMBERS OF THE PUBLIC**

Ms Rosie Lewis submitted the following question:

“Can you please outline how the Gateshead Leisure Services Review Consultation will be assessed, what measurement and evaluation frameworks will be used and what weight will be given to each question?”.

Councillor Angela Douglas responded to the question and a subsequent question asked by Ms Lewis.

**CL55 LOCAL GOVERNMENT ACT 1972 - SECTION 85**

Consideration was given to a report seeking agreement to regard the ill health of Cllr Paul McNally as the reason for his failure to attend meetings.

COUNCIL RESOLVED - That for the purposes of Section 85(1) of the Local Government Act 1972, the ill health of Councillor Paul McNally be regarded as the reason for this failure to attend meetings.

**CL56 LOCAL COUNCIL TAX SUPPORT SCHEME FOR 2023/24**

Consideration was given to a report seeking approval of a Local Council Tax Support Scheme for the year 2023/24.

COUNCIL RESOLVED - (i) That the proposed scheme as set out in paragraphs 8 and 10 of the report be approved.  
(ii) That powers be delegated to the Strategic Director, Resources and Digital, to provide regulations to give effect to the scheme including publishing full details online.

**CL57 MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2027/28**

Consideration was given to a report seeking endorsement of the Medium Term Financial Strategy 2023/24 – 2027/28.

COUNCIL RESOLVED - That the Medium Term Financial Strategy for 2023/24 to 2027/28 including the proposed MTFS principles and the medium term financial context, as set out in the report, be approved.

**CL58 CLIMATE EMERGENCY STRATEGY ADOPTION AND CLIMATE UPDATE**

Consideration was given to a report seeking endorsement of the adoption of the Climate Strategy.

COUNCIL RESOLVED - That the Climate Strategy be adopted.

**CL59 TREASURY MANAGEMENT - PERFORMANCE TO 30 SEPTEMBER 2022**

Consideration was given to a report informing Council on the Treasury Management performance for the six months up to 30 September 2022.

COUNCIL RESOLVED - That the Treasury Management Performance to 30 September 2022 be noted; to contribute to

sound financial management and the long-term financial sustainability of the Council.

**CL60 REVENUE BUDGET 2022/23 - SECOND QUARTER REVIEW**

Consideration was given to a report setting out the latest monitoring position on the 2022/23 revenue budget at the end of the second quarter.

- COUNCIL RESOLVED -
- (i) That the Council's revenue expenditure position at the end of the second quarter, as set out in appendices 1 and 2 of the report, be noted.
  - (ii) That the Housing Revenue Account Budget, as set out in Appendix 3 of the report, be approved.

**CL61 CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS 2022/23 - SECOND QUARTER REVIEW**

Consideration was given to a report informing of the latest position on the 2022/23 Capital Programme and Prudential Indicators at the end of the second quarter to 30 September 2022.

- COUNCIL RESOLVED -
- (i) That the variations to the 2022/23 Capital Programme be approved.
  - (ii) That the financing of the revised programme be approved.
  - (iii) That it be noted that the capital expenditure and financing requirements have been revised in line with the amended budget and that none of the approved Prudential Indicators set for 2022/23 have been breached.

**CL62 CAPITAL STRATEGY 2023/24 TO 2027/28**

Consideration was given to a report seeking approval of the Capital Strategy for 2023/24 to 2027/28 to support the framework used to set and monitor the Capital Programme.

- COUNCIL RESOLVED -
- That the Capital Strategy, as set out in Appendix 2 of the report, be approved so that it fully complies with the requirements of good financial practice in capital accounting.

**CL63 BOUNDARY COMMISSION FOR ENGLAND (BCE) - 2023 REVIEW OF PARLIAMENTARY CONSTITUENCIES - REVISED PROPOSALS**

Consideration was given to a report seeking agreement for the Chief Executive to respond on behalf of the Council to the Revised Proposals published by the Boundary Commission for England in its 2023 Parliamentary Boundary Review.

COUNCIL RESOLVED - That the Chief Executive be authorised to prepare and submit a response to the Revised Proposals, making representation regarding matters highlighted in the report, following a Members' Seminar and consultation with the Leader of the Council and the Leader of the Opposition.

**CL64 NOTICE OF MOTION**

Councillor Lynne Caffrey moved the following motion:

"Council notes that:

In 2010, Gateshead Council published a policy response to Climate Change. In 2019, as a response to the global Climate Crisis, Gateshead Council declared a Climate Emergency and agreed a strategy to be Carbon Neutral by 2030.

As part of this strategy many measures have been adopted both internally and externally and we are pledged to:

- Making all our activities Carbon Neutral by 2030
- Achieving 100% clean energy across our full range of functions by 2030
- Ensuring that all strategic decisions, budgets and approaches to planning decisions, are in line with a shift to Zero Carbon by 2030
- Supporting and working with all relevant bodies towards making the entire area Carbon Neutral within the same timescale

As a Council:

- We recognise that fossil fuel investments should be considered as part of the Councils Carbon Footprint and that we owe it to future generations to ensure we do not exceed the internationally agreed temperature increase threshold of 1.5 degrees C above preindustrial global heating levels, which is predominantly caused by the burning of fossil fuels.
- We have no direct investments in Fossil Fuel companies other than those invested on our behalf as part of Tyne and Wear Local Government Pension Scheme (TWLGPS)
- We believe the TWLGPS strategy of decarbonisation of their portfolio by 2050 (agreed December 2021) rather than divestment in fossil fuels, will not be sufficient to ensure we meet our carbon neutral target by 2030.

Whilst appreciating the TWLGPS is run by Trustees, including a Gateshead Trustee,



who have a fiduciary duty to protect the assets of the scheme in order to protect the pensions of beneficiaries, we believe this needs to include the long-term sustainability of the Fund's performance, which is at risk from "stranded assets" and environmental degradation.

We believe our request to the TWLGPS contained in this motion supports our Council Policy, our aspiration to be Carbon Neutral by 2030 and, the ethos of the Scheme.

This motion is simply an indicative vote as legally we have no powers to mandate the scheme Trustees, but we trust their judgment and their understanding of our need as a society to minimise harm.

Gateshead Council undertakes to:

- Re-state our commitment to becoming fully carbon neutral by 2030
- Write to TWLGPS and to Border to Coast Pension Partnership (their pooling organisation) to ask them to review their investments in fossil fuels, taking into account the latest findings of the International Institute of Sustainable Development, which confirms that no new oil and gas fields must be opened from now, if the earth's temperature is to be kept below 1.5 degrees C.
- Ask TWLGPS and BCPP to actively invest in companies that will reduce greenhouse gas emissions and minimise climate risk."

On the motion being put it was declared to be carried.

## **CL65 QUESTIONS**

There were no questions submitted.

**Mayor.....**

This page is intentionally left blank



**COUNCIL MEETING**

**26 January 2023**

## **HOUSING REVENUE ACCOUNT (HRA) 30 YEAR BUSINESS PLAN**

---

**Sheena Ramsey, Chief Executive**

---

### **EXECUTIVE SUMMARY**

1. The purpose of this report is to endorse the proposed Housing Revenue Account (HRA) 30-year Business Plan 2022-2052.
2. The HRA Business Plan sets out the Council's income and expenditure plans for delivering Council Housing Services in Gateshead. 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.
3. The plan sets out the financial trajectory for the HRA based on specific assumptions which are outlined in the report.
4. The Cabinet has considered the facts and issues arising from the report including alternative options and took all relevant advice before formulating their recommendation.

### **RECOMMENDATION**

5. It is recommended that Council approve the Housing Revenue Account (HRA) 30 Year Business Plan 2022-2052 as set out in Appendix 2 of the attached report.

This page is intentionally left blank

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

**REPORT OF:**              **Darren Collins, Strategic Director, Resources and Digital  
Colin Huntington, Strategic Director, Housing, Environment  
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 2022-2052.

### **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. In October 2021 Council agreed a fully costed viable 30-year HRA business plan. Immediately following this approval, the Office for Budget Responsibility (OBR) updated the inflation forecasts, which impacted the business plan.
4. On 22 February 2022 Council agreed the Housing Revenue Account (HRA) budget 2022/23, which included a recasting of the 30-year Business Plan to incorporate the updated forecasts.
5. The HRA Business Plan assumed rent increases of CPI +1% for 2023/24, which at the time using inflation forecasts, equated to 5% and required savings over the medium term of £3.6 million and additional borrowing to be undertaken in year 17 of the plan, with total borrowing increasing by £161.690 million to £507.195 million.
6. On 17 November 2022 in the Autumn Statement the Chancellor confirmed an upper limit on rent increases of 7%. Given the rent policy is CPI +1% (September CPI was 10.1%), which would result in rent increases of 11.1% and therefore the capping at 7% is in real terms a rent cut given the significant cost pressures. The exact detail of the rent cap application and the annual confirmation of the limit on rent increases has not yet been issued.
7. On the 22 November 2022 Council agreed the Revenue Budget - Second Quarter Review which reported a £3 million projected overspend on the HRA. Whilst it is the intention to bring this in on budget, the overspend is reflected in the business plan. As part of this report Council agreed to increase the HRA budget for 2022/23 by £3 million to accommodate the back log in repairs and maintenance, which is in addition to the identified overspend.
8. Given the HRA business plan is a 30-year plan the longer-term assumptions become more subjective and are likely to change and therefore it is of utmost

importance that the medium term planning horizon is robust. It has, however, never been more challenging given the current financial climate. There is spiralling inflation amidst uncertainty around international issues, the national economy and cost of living crisis, notably around food, fuel and utility prices across the country.

9. Inflationary pressures identified in 2022/23 will have a cumulative effect across the medium term and beyond. It is anticipated that levels of inflation will not reduce significantly by the end of 2022/23 and therefore likely to be ongoing pressures during 2023/24.

### **Proposal**

10. 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.
11. Overall, the revised HRA Business Plan (appendix 2) assuming a 7% rent increase for 2023/24 reverting to rent policy of CPI+1 for 2024/25 is a fully costed, sustainable plan and does not breach the minimum £3 million reserve balance during the life of the plan (30 years).
12. The plan is not setting the actual rent and service charges nor is it setting the budget. Those matters will be subject to a further report to Cabinet in February. The plan is, however, setting out the financial trajectory for the HRA based on specific assumptions which are clearly outlined. Any deviation from these assumptions will have impact on the plan and a significant impact on stock investment plans, council new build and the provision of housing services.
13. As an indication a 1% reduction in rent equates to a reduction in income of £3.95 million over the medium term and £27.9 million over the 30-year plan with additional borrowing of £51 million by year 30.
14. 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.
15. The plan now requires as a minimum, efficiency savings over the medium term of £3.794 million with a requirement for this to be front loaded with £1.468 million required in 2023/24. It is important that the savings are underpinned by a robust efficiencies plan, which will be developed during the budget setting process.
16. 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.
17. However, to accommodate the below inflation rise in rents, borrowing would increase to £601.424 million by year 30 which is £94.229 million more than estimated in February 2022. Additional borrowing will start to accrue in year 9 of the plan rather than year 17.

18. The alternative to the additional borrowing would be to make a further £1.3 million of HRA savings over the medium term in addition to that outlined in paragraph 15. Given the additional borrowing goes beyond the medium term it is recommended that this is kept under review.
19. This plan incorporates the capital investment requirements of the current dwelling and non-dwelling stock. This programme is fully fundable subject to achieving the required level of efficiencies, rent increase assumption for 2023/24, and achievement of key performance assumptions such as future void loss. This should be read in conjunction with the HRA Asset Management Strategy.
20. There is provision to complete the demolition of Sir Godfrey Thompson Court, Crowhall Towers, Redheugh and Eslington Courts.
21. The plan will also support the Housing Development Strategy enabling the development of a further 40 units of social housing per annum over a 10-year period funded from the HRA in addition to the 44 units being developed at Whitley Court.

### **Recommendations**

22. Cabinet is asked to recommend to Council the approval of the Housing Revenue Account (HRA) 30 Year Business Plan 2022-2052 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.
- (ii) To assist in the delivery of the Council's vision for Gateshead as set out in Making Gateshead a Place where Everyone Thrives.

---

#### **CONTACT:**

**Kristina Robson**  
**Kevin Scarlett**

**Ext 3943**  
**Ext 5303**

## 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. These are 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 October 2021 Council agreed a fully costed viable 30-year HRA business plan. Immediately following this approval, the Office for Budget Responsibility (OBR) updated the inflation forecasts, which impacted the business plan.
6. On 22 February 2022 Council agreed the Housing Revenue Account (HRA) budget 2022/23, which included a recasting of the 30-year Business Plan to incorporate the updated forecasts.
7. 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.
  - Increased Right to Buy sales resulting from the increased discounts
  - The impact of Brexit / Covid on inflation in general and particularly in the cost of construction / repairs in terms of materials and labour.



- Ukraine situation and global gas/electricity prices.
- Changes to regulatory standards.
- Repairs backlogs arising from the impact of Covid for which additional investment of £3 million has been required in 2022/23.

8. This is alongside the 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.

9. Between 31 August 2022 and 7 October 2022, the Department for Levelling up, Housing and Communities (DLUHC) consulted on a new Direction from the Secretary of State to the Regulator of Social Housing in relation to social housing rent policy. It focuses on the introduction of a rent ceiling from 1 April 2023 to 31 March 2024, which would act as an upper limit on the maximum amount by which Registered Providers of social housing can increase rents in that year.

10. On 17 November 2022 in the Autumn Statement the Chancellor confirmed the upper limit on rent increases of 7%. The exact detail of this and the annual confirmation of the limit on rent increases has not yet been issued.

### **Refreshed Plan**

11. 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, to incorporate all 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 £3.794 million with a requirement for this to be front loaded with £1.468 million required in 2023/24.

12. 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.

13. However, to accommodate the below inflation rise in rents borrowing would increase to £601.424 million by year 30, which is £255.919 million higher than the current debt and £94.229 million more than the increase estimated in February 2022. Additional borrowing will start to accrue in year 9 of the plan rather than year 17.

14. The alternative to the additional borrowing would be to make a further £1.3 million of HRA savings over the medium term in addition to the minimum efficiency savings. Given the additional borrowing goes beyond the medium term it is recommended that this is kept under review, especially in the context of the volatile financial environment in which the plan has been developed.

## Capital Investment

15. 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
  - Continued investment in disabled adaptations
  - Support to increase the opportunities for Fostering within the social housing portfolio
16. A summary of the planned 5-year (2023-28) capital programme is included in the plan. This programme is fully fundable subject to achieving the required level of efficiencies, rent increase assumption for 2023/24, and achievement of key performance assumptions such as future void loss.
17. There is 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, Crowhall Towers, Redheugh and Eslington Courts.
18. 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.
19. There is also provision for the 44 units at Whitley Court that are incrementally being let during 2022/23.

## Consultation

20. Consultation has taken place with the Leader and Deputy Leader, Cabinet Member for Housing and the Strategic Housing Board.

## Alternative Options

21. There are no alternative options proposed.

## Implications of Recommended Option

### 22. 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 £3.794 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.
23. **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.
23. **Equality and Diversity Implications** – An equality impact framework has been developed to assess efficiency proposals.
24. **Crime and Disorder Implications** – No direct crime and disorder implications.
25. **Health Implications** – No direct health implications. Delivery of the investment priorities supported by this plan are likely to have positive health outcomes.
26. **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.
27. **Human Rights Implications** – No direct human rights implications.
28. **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  
Autumn Statement 2022

This page is intentionally left blank



# **HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN 2022-2052**

**CONTENTS**

- 1. Introduction 1**
- 2. National Policy Context 2**
- 3. Local Policy Context 5**
- 4. Housing Investment Plan 7**
- 5. HRA Financial Plan 11**
- 6. Risk Assessment 17**
- 7. Conclusion 19**
- 8. Appendices 20**

## 1. INTRODUCTION

- 1.1 The Housing Revenue Account (HRA) is the financial account used to manage the Council's activities as a landlord. It is a ring-fenced account and can only be used to provide services to Council housing tenants through the collection of rent and other service charges.
- 1.2 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.
- 1.3 Following approval of the 30-year HRA business plan 2021-2051 the Office for Budget Responsibility (OBR) updated the inflation forecasts which impacted the business plan. Rather than updating the actual business plan amendments were made and factored into the budget 2022/23 and the 5-year medium term position.
- 1.4 This refresh of the plan is set against a backdrop of an extremely challenging financial situation. There is spiralling inflation amidst uncertainty around international issues, the national economy and cost of living crisis, notably around food, fuel and utility prices across the country.
- 1.5 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.
- 1.6 Overall, the revised HRA Business Plan is a fully costed, sustainable plan and does not breach the minimum £3 million reserve balance during the life of the plan (30 years). The plan requires as a minimum efficiency savings over the medium term of £3.794 million with a requirement for this to be front loaded with £1.468 million required in 2023/24.
- 1.7 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.
- 1.8 To accommodate the below inflation rise in rents resulting from the limit on rent increases of 7%, borrowing will need to increase to £601.424 million by year 30 which is £94.229 million more than estimated in February 2022 when the 2022/23 budget was set. Additional borrowing will start to accrue in year 9 of the plan rather than year 17.
- 1.9 This plan should be read in conjunction with the other key housing strategies and policies which set out how the above ambition can be achieved.

## **2 NATIONAL POLICY CONTEXT**

2.1 The HRA operates within a political environment and therefore any changes in national housing policy can have a significant impact on the HRA Business Plan.

### **2.2 National Social Rent Policy**

2.2.1 The Welfare Reform and Work Act 2016 included a statutory obligation for registered providers of social housing to reduce their rents by 1% per year, irrespective of inflation, from April 2016 to March 2020.

2.2.2 From April 2020, the Regulator of Social Housing's (RSH) Rent Standard made provision for a maximum annual increase in social housing rents of CPI plus 1% with effect from April 2020 for a period of five years.

2.2.3 In the Autumn Statement the Chancellor following a previous consultation on a cap for 2023/24 announced a cap on rent increases of 7%. The exact details of the changes to the rent policy for 2023/24 have yet to be issued and therefore this plan assumes a rent increase of 7% across all stock types reverting back to rent policy of CPI+1% for 2024/25.

2.2.3 Any increase in rent will mean an impact on tenants' household budgets but the additional income is vital to maintain and improve the services we provide to tenants, invest in our existing housing stock in accordance with the stock condition surveys and develop new social housing to address the needs of local people.

2.2.4 Future rent increases will not mitigate against the reductions during 2016-2020 and it now means that rents are now set against a lower baseline than they would have been.

### **2.3 HRA Borrowing Cap**

2.3.1 In October 2018 the Government issued a determination removing the HRA debt cap. The HRA debt cap for Gateshead was £345.505 million, but current borrowing is below that level.

2.3.2 The removal of the cap provides the Council with more freedom and flexibility to undertake additional borrowing subject to the principles of the Prudential Code for Capital Finance in Local Authorities of affordability, sustainability and prudence.

2.3.3 Primarily this will help the Council in its commitment to deliver more affordable housing. However, we can only use this flexibility to finance activities that generate sufficient income for the HRA to offset the required upfront capital and management costs associated with the investment within the HRA business planning horizon. Using the borrowing capacity in any other way will bring additional financial risk to the HRA Business Plan.

### **2.4 Welfare Reform**

2.4.1 The measures introduced in the Welfare Reform Act 2012 represented the biggest change to the benefits system in a generation. There have been repeated delays to the full implementation of the changes, particularly the rollout of Universal Credit to



those already claiming legacy benefits. A further delay has recently been announced postponing the migration of those claiming Employment Support Allowance to 2028.

- 2.4.2 By the midway point of the current year (2022/23), 37% of council tenants were in receipt of Universal Credit, and 34% were still receiving Housing Benefit. In the coming years, the proportion of tenants on Universal Credit will increase as those still on Housing Benefit are moved over.
- 2.4.3 Universal Credit is paid in arrears and in most cases directly to the recipients rather than to the landlords. Rent arrears of those tenants on Universal Credit have increased, especially in the early weeks of a claim. At the end of year 2021/22, the average rent arrears of tenants on Universal Credit were £470, more than five times that of those still on Housing Benefit (£82).
- 2.4.4 This combined with the benefit cap and the under-occupancy charge continues to be a challenge and poses a risk to the level of potential rent arrears that may accrue. The risk is made even more acute in the context of cost of living increases for residents.

## **2.5 The Charter for Social Housing Residents (Social Housing White Paper)**

2.5.1 In November 2020, the Government issued its Social Housing White Paper – The Charter for Social Housing Reform, in which it sets out fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it, including an enhanced regulatory regime for local authorities. The paper set out seven principles which will underpin a new, fairer deal for social housing residents:

- To be safe in your home – to ensure every home is safe and secure
- To know how your landlord is performing – including on repairs, complaints and
- To have your complaints dealt with promptly and fairly – with access to a strong Ombudsman
- To be treated with respect – backed by a strong consumer regulator and improved customer standards
- To have your voice heard by your landlord – for example through regular meetings and scrutiny panels
- To have a good quality home and neighbourhood to live in – keeping homes in good repair
- To be supported to take your first step to home ownership – a ladder to other opportunities, should tenants circumstances allow

2.5.2 Whilst the Government has still to confirm its legislative timetable for enacting the White Paper, more clarity has emerged on some aspects of the likely legislation including:

- Regulatory confirmation of new tenant satisfaction measures from 2023/24.
- Conclusion of the initial stages of the review of the Decent Homes including confirmation of a requirement to install smoke and carbon monoxide alarms to all homes.
- Strengthening of the Housing Ombudsman service, including a new Complaint Handling Code.
- Establishment of a new, national Social Housing Quality Residents Panel.

## **2.6 Housing Growth**

- 2.6.1 Addressing the housing shortage is a priority issue for the Government and one that carries clear expectations on how housing supply is increased in order to meet local housing needs. The Government is also keen that people can be supported into home ownership and have made available a number of packages and initiatives to enable social landlords to deliver new homes which specifically support this agenda.
- 2.6.2 In March 2012 the Government published a policy paper '*Reinvigorating Right to Buy and One for one Replacement*' and statutory instrument (2012 No. 711) which amended the capital finance regulations. As part of this Councils were able to sign an agreement with government to retain additional right to buy (RTB) receipts known as 1-4-1 receipts which have certain conditions attached to their use. In 2021 in response to a 2018 consultation these conditions were amended to give Council's more flexibility and extended the period for which they could be used. The aim of this was to enable more affordable homes to be built effectively replacing those bought through RTB.

## **2.7 Climate Change and the Low Carbon Future**

- 2.7.1 The Government has committed to tackling climate change and intends to set a target of reducing domestic emissions to zero. The Government has indicated the possible revision of the Decent Homes Standard and of this including a requirement to achieve EPC D by 2025 and EPC C by 2030, thereby obliging us to meet these targets. The RSH therefore expects social landlords to be working to understand the potential costs of making carbon reduction improvements to our assets. A Net Carbon Zero Strategy will be developed to accompany the HRA Asset Strategy.

## **2.8 Building Safety Act 2022**

- 2.8.1 The Government passed the above Act in April 2022 and is in effect its response to the Grenfell Tower fire tragedy in 2017.
- 2.8.2 The Act requires the Council to register its in-occupation, high-risk, high-rise buildings with a newly established Building Safety Regulator (BSR). All buildings over 18m in height or with 7 or more storeys are captured in the scope of the Act. The Council's accountable person must apply for a Building Assessment Certificate based on a submitted Building Safety Case Report for each building. This process will commence from April 2024. The BSR has significant powers if there is a breach of the Act's requirements.

## **2.9 Fire Safety Act 2021**

- 2.9.1 The Act makes amendments to the Regulatory Reform (Fire Safety) Order 2005 ("the FSO") and extends the provisions of the FSO to the following parts of a multi-occupied residential buildings:
- the building's structure, external walls and any common parts. The external walls include doors or windows in those walls, and anything attached to the exterior of those walls, e.g. balconies and cladding.
  - all doors between the domestic premises and common parts.

2.9.2 Under Article 3 of the FSO, the "responsible person" of a premise (either a building or any part of it) is the person who has control of the premises ("the Responsible Person"), which may include building owners, leaseholders or managers.

2.9.3 The Council will take a pro-active approach to ensure compliance with the provisions

### **3. LOCAL POLICY CONTEXT**

3.1 The HRA Business Plan is set within a wider strategic context of the overall ambitions of the Council and those of the Housing Service.

#### **3.2 Strategic Approach**

3.2.1 The Council's strategic approach, Making Gateshead a Place Where Everyone Thrives provides a framework to demonstrate how the Council will work and make decisions.

3.2.2 Thrive is underpinned by five key pledges:

- Putting people and families at the heart of everything we do;
- Tackling inequality
- Supporting our communities to support themselves and each other;
- Investing in our economy to provide sustainable opportunities for employment, innovation and growth; and
- Work together and for a better future for Gateshead Council

3.2.3 The HRA Business plan supports the delivery of these pledges.

#### **3.3 Health and Wellbeing Strategy**

3.3.1 The Health and Wellbeing Strategy identifies clear outcomes to support the delivery of "Gateshead Thrive". Housing is identified as one of the wider determinants of health and can play a vital role in the long-term health and wellbeing of an individual.

#### **3.4 Housing Strategy**

3.4.1 The Housing Strategy identified 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. It includes three overarching strategic objectives:

- Sustainable housing and economic growth
- Sustainable neighbourhoods
- Improved Health and Wellbeing

#### **3.5 HRA Asset Management Strategy**

3.5.1 The HRA Asset Management Plan sets out the Council's approach to managing the housing related assets held in the Housing Revenue Account. It covers a range of activities that will ensure that the housing stock meets the needs of residents and the standards required, both now and in the future. Its five key aims are;

- Delivering Decent Homes
- Maximising Energy Efficiency

- Ensuring Compliance
- Regeneration of Estates and Assets
- Investment in IT Infrastructure
- Developing New Homes

### **3.6 Homelessness and Rough Sleeping Strategy**

3.6.1 The Council's Homelessness and Rough Sleeping Strategy aims to eradicate rough sleeping in Gateshead, make homelessness a rare and one-off occurrence, and achieve positive outcomes for anyone who is homeless. The HRA will help to support delivery of this strategy through the provision of much needed new affordable homes, and in contributing to the delivery services to support and realise sustainable tenancy solutions for those who may be at risk of homelessness.

### **3.7 Housing Development Strategy**

3.7.1 A new Housing Development Strategy has been introduced by the Council which confirms priority actions to be undertaken over the next five years to maximise housing supply on existing and new sites. This strategy also aligns with the Council's medium-term position and investment plan.

### **3.8 Tenancy Strategy and Allocations Policy**

3.8.1 The Tenancy Strategy which was recently approved in October 2022 together with the Allocations Policy will help to deliver on the strategic aims of the Housing Strategy. It will ensure statutory and regulatory compliance by ensuring our properties are let in a fair, transparent and efficient way, make best use of our stock, reduce the amount of time properties are empty, address under occupation and overcrowding and to meet our strategic housing needs, including homelessness.

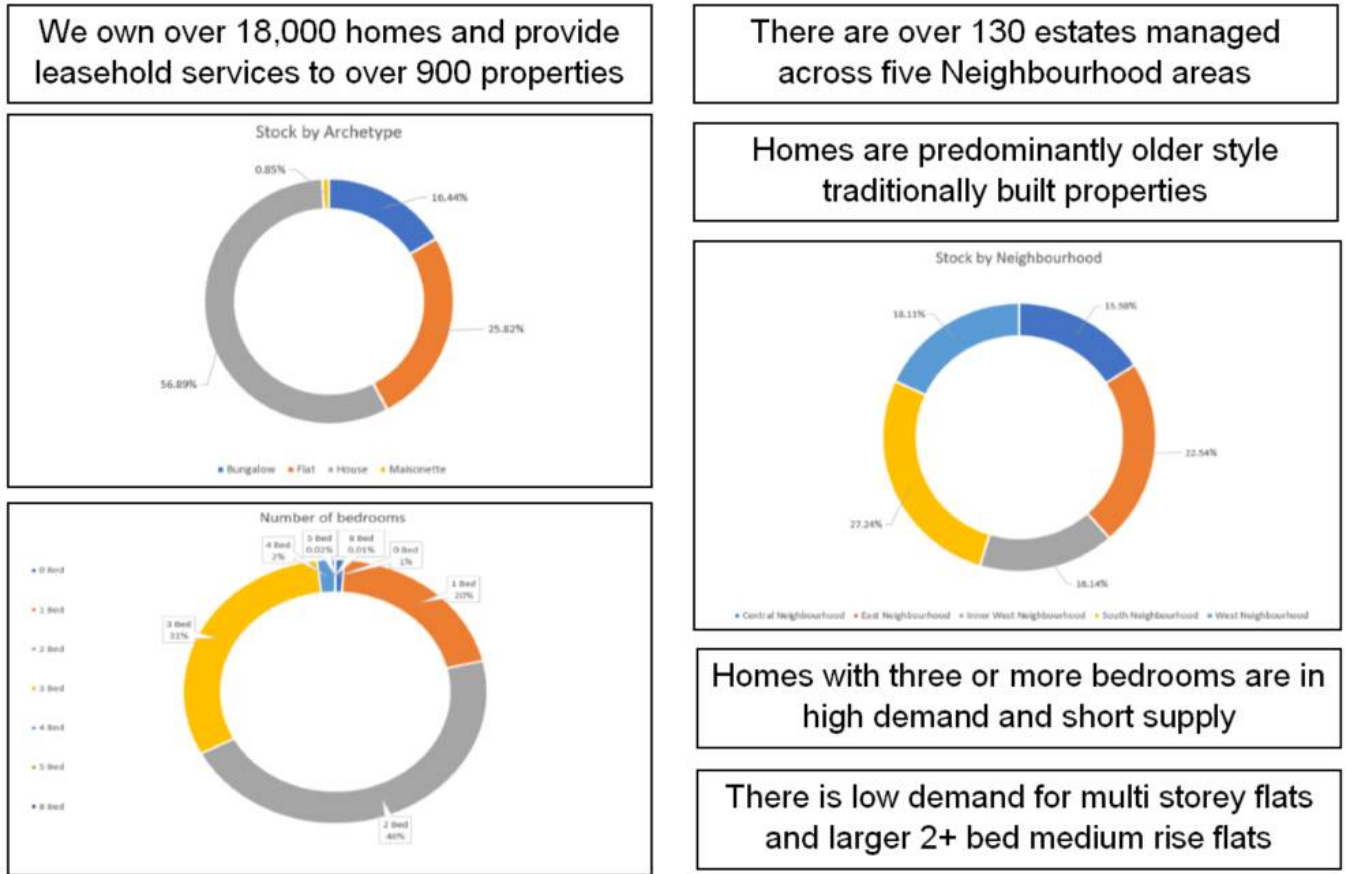
### **3.9 Resident Influence Strategy**

3.9.1 The Resident Influence Strategy and Framework has been developed within the context of a national regulatory framework. The Regulator of Social Housing sets four Consumer standards that applies to all registered social landlords including local authorities. The Tenant Involvement and Empowerment standard is one of the four Consumer standards. It sets out clearly the requirement that registered providers shall ensure that tenants are given a wide range of opportunities to influence and be involved influencing decisions, shaping policies, and recommending service improvements.

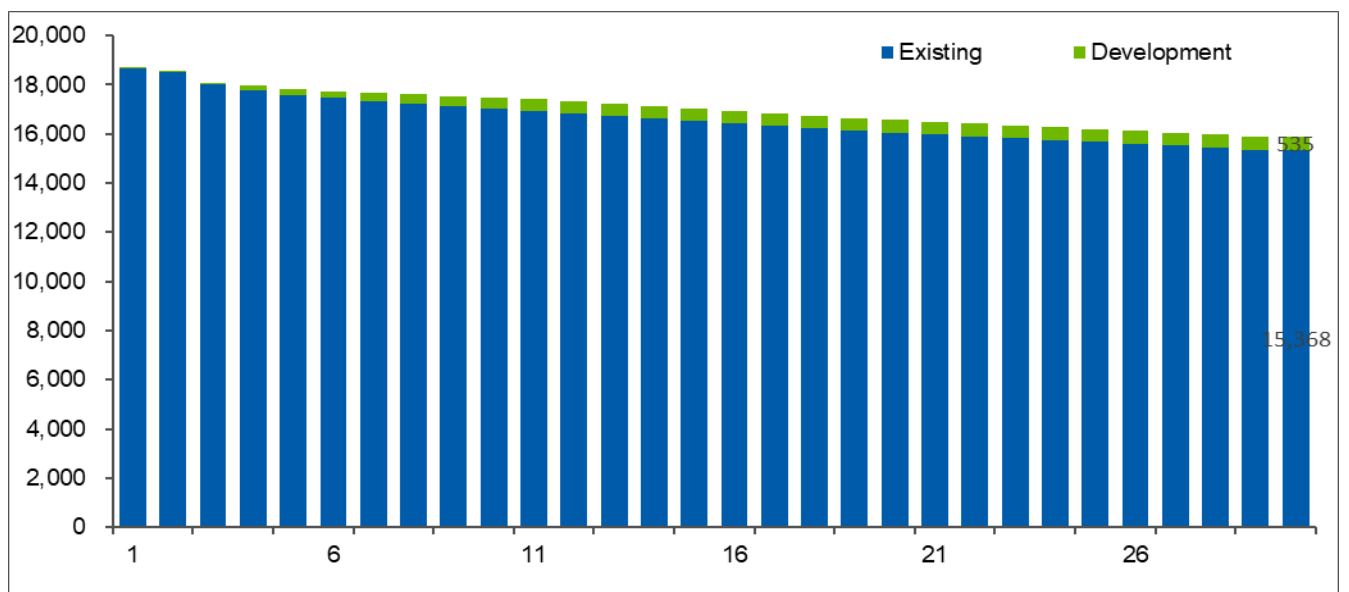
## 4. HOUSING INVESTMENT PLAN

### 4.1 Dwelling Stock Profile

4.1.1 The following graphs outline the profile of the HRA dwelling stock within Gateshead.



4.1.2 The predicated 30 year stock position is shown in the graph below. Accounting for the predicted sales of properties through Right to Buy, the potential impact of stock options and predicted development opportunities housing stock is predicted to be 15,903 by year 30 of the plan.



## **4.2 Other HRA Assets**

4.2.2 The HRA also owns a number of non-domestic assets, which are predominantly made up of garages, lounges, shops, land and play equipment. Reviews of the status of non-domestic assets has commenced. These are exploring how these assets are used and whether disposal, demolition or a change of use would bring more value to the HRA to better help, support and sustain neighbourhoods & communities.

## **4.3 Investment Priorities**

4.3.1 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
- Continued investment in disabled adaptations
- Support to increase the opportunities for Fostering within the social housing portfolio

## **4.4 General Stock Investment**

4.4.1 Since the end of the Decent Homes Programme the balance of responsive repairs verses planned works have shifted and excessive responsive repair interventions are being delivered. As part of the Construction Services review work has commence to address the split between responsive and planned so that more work is delivered in a planned way, ensuring value for money and the efficiencies associated with programmed works.

4.4.2 A tool has been developed that will analyse estate-based repairs to gain insight into the numbers of repairs and the type of work being delivered, then assessing it against stock condition data. This tool will be embedded and used to identify trends and drivers for expenditure to aid planning and deliver an appropriate balance of reactive repairs and planned investment and ensure this is aligned with our understanding of stock condition and asset sustainability.

## **4.5 Net Zero Carbon**

4.5.1 The HRA will need to invest c.£265 million into insulation measures and new heating technologies. Investment costs average around £16,000 property and in some cases are as much as £37,000. The HRA business plan includes some allowances for costs for energy efficiency measures and improvements but support from public funding will be required to meet our obligations around energy improvements and net zero carbon.

## **4.6 Building Safety Measures**

4.6.1 The Council is committed to ensuring tenant safety and the intention is to ensure that assets meet all applicable health and safety requirements so that all residents and

visitors are confident that they are in a safe and secure environment. There has been significant investment into strengthening the safety of our assets over the last two years, and the necessary investment will be maintained to continue to ensure all assets are compliant.

- 4.6.2 As part of the consolidation of housing services into the Council new and strengthened governance and scrutiny processes have been introduced to protect customers and the sustainability of the HRA.
- 4.6.3 A robust and resourced Building Safety Team continues to be developed to manage the Council's approach to this critical area of safety-based work and assurance. Strong condition data, process drive IT systems, robust building assessments and maintenance information will help protect the HRA from unplanned high cost and non-compliance.
- 4.6.4 As a building owner of higher risk residential buildings, such as high-rise buildings, we will compile and maintain safety case files and have appointed a building safety manager to support the management of our assets.

#### **4.7 Garage Sites**

- 4.7.1 Garages make up the largest proportion of non-domestic assets. These are assets that are formed of blocks or individual units that are not tied to or let as part of a domestic tenancy.
- 4.7.2 There are 3,678 garages currently in the HRA making up 512 garage block sites. All garage blocks have been stock condition surveyed and sites have also been appraised to assess their potential future use. Almost £1 million has been allocated in the business plan to start delivering on the garage review over the next five years. The first non-viable sites will be decommissioned and demolished in 2023 and work is progressing an external partner to explore the prospect of changing the use of some sites to provide domestic accommodation.

#### **4.8 Investment in IT Infrastructure**

- 4.8.1 The current IT systems are structurally fit for purpose; however, there is insufficient interfacing or linkages to ensure a 360 view of all business intelligence. To strengthen the approach to data and ensure a robust and resilient approach a systems a review is underway. It will assess the existing IT strategy and future organisational need. The recommendations from the review will support IT infrastructure improvements and future procurement exercises.

#### **4.9 Investment in Commercial Stock & the Wider Environment**

- 4.9.1 There are also a small number of fixed play equipment sites that fall within the management of the HRA. These sites carry with them inspection and compliance requirements as well as ongoing maintenance costs. In partnership with communities these sites will be reviewed.
- 4.9.2 It is recognised that there is a need to review the status of non-domestic assets to explore how they are used and whether a change of use would bring more value to the HRA and better help support and sustain neighbourhoods & communities.

## **4.10 Disabled Adaptations**

- 4.10.1 The Council recognises its social responsibility to support vulnerable and disabled residents to remain independent in their home. There is an annual budget for the provision of minor works, like handrails, through to major adaptations such as adapted bathrooms or property alterations.
- 4.10.2 Demand for adaptations in council homes remains high, with a large proportion of residents defining themselves as having a disability. The approach to adaptations must remain sustainable and viable, make the 'best use' of our stock by ensuring that properties are allocated appropriately, that investment is only made into sustainable adaptations, and that value for money is achieved.

## **4.11 Stock Options**

### **4.11.1 High Rise Blocks**

1. The analysis of the future pressures on the HRA highlights high rise blocks as a key area of concern. The high-rise stock is commonly characterised as a liability to the HRA resulting from high investment cost, low demand and high management requirements.
2. Redheugh & Eslington Courts were deemed unviable and are currently being decommissioned, with residents being decanted and will be demolished when empty.
3. Warwick Court is undergoing a decommissioning process and a review of potential alternative uses for the block is being established.
4. Decommissioning work is continuing at Sir Godfrey Thompson Court and Crowhall Towers, work to procure a demolition contractor is likely to begin in early 2023.
5. The strategic roadmap, subject to the decision-making process and consultation, is to undertake further options appraisals in line with the priorities laid out in the HRA Asset Strategy 2022-27.

### **4.11.2 Older Person's Housing**

1. Gateshead has seven older persons' purpose-built housing blocks. They include over 200 sheltered 1-bedroomed and 2-bedroomed flats. Angel Court is the only modern purpose-built scheme.
2. There is also a disproportionate spread of blocks across the borough. The East, Central and West Neighbourhoods have one block each, while in the South there are four schemes. It is proposed to undertake a specific Older Persons' purpose-built block review starting in 2023.



## 4.12 New Development

4.12.1 The plan includes 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.

4.12.2 There is also provision for the 44 units at Whitley Court that are incrementally being let during 2022/23.

## 5. HRA FINANCIAL PLAN

5.1 The Financial Plan shows how both the Council Housing Investment Programme and the day to day Council housing services will be funded.

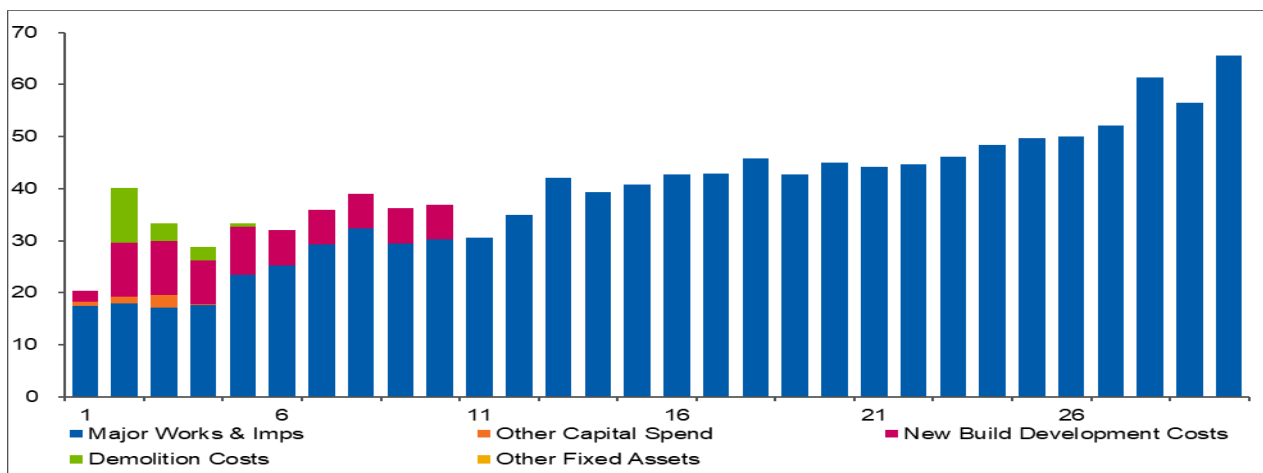
5.2 Overall, the revised HRA plan is fully costed and does not breach a minimum £3 million balance during the life of the plan (30 years). However, to incorporate the cost pressures and anticipated capital investment, including new social housing stock, borrowing will need to rise significantly above the current levels.

5.3 A copy of the HRA Operating Account 2022/23 to 2051/52 is attached at Appendix 1.

5.4 The plan requires as a minimum savings of £3.794 million which has been phased as follows:

Year	Total Annual Savings £000	Total Cumulative Savings £000
2023/24	1,468	
2024/25	970	2,438
2025/26	733	3,171
2026/27	623	3,794
2027/28	-	3,794
<b>Total</b>	<b>3,794</b>	

5.5 The capital investment included in the 30-year plan is £1.261 billion the split of which is detailed in the following graph:

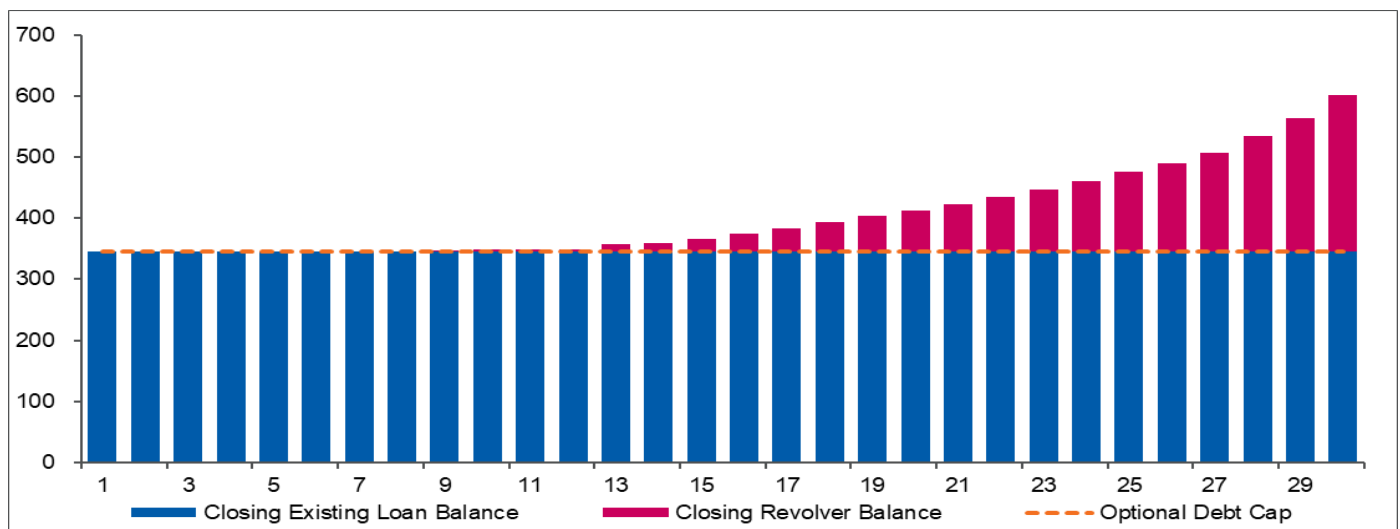


5.6 A summary of the planned 5-year 2023/24-2027/28 capital programme is shown in appendix 2.

## 5.7 Borrowing Requirement

5.7.1 The proposed plan shows that by year 30 borrowing will increase to £601.424 million which is £255.919 million higher than the current underlying loan debt. Borrowing will however not rise to a level above this until year 9 (see the following graph).

5.7.2 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.



## 5.8 HRA Reserve Balances

5.8.1 The HRA can budget for a deficit in a particular year, but the HRA total reserve balance must not be negative. The business plan is set to assume that if the assumptions resulted in the reserve balance falling below the minimum required of £3 million in any year, then borrowing will be required. Borrowing can only be for capital purposes. Where revenue reserves are exhausted due to revenue expenditure exceeding income, then mitigating action is required.

5.8.2 The plan shows that over 30 years, the surplus carried forwards stays above the minimum balance.

5.8.3 The plan also shows that there are years where reserves will be used to fund predicted peaks in the capital programme due to lifecycle replacements. This minimises borrowing and reduces the level of interest charges that would be incurred.

## 5.9 Key Assumptions

- 5.9.1 The financial plan is based on a number of key assumptions to mitigate against risks or changes that may occur over the life of the Business Plan.
- 5.9.2 The assumptions used for the next 5 years over the medium-term period 2023/24 -2027/28 are outlined in the table below. As the HRA plan is over 30 years future assumptions have been made in respect of the key items listed.

Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28
CPI	10%	4%	2%	2%	2%
RPI	12%	5%	3%	3%	3%
Rent increase – as per scenarios for 2023/24	7%	5%	2%	2%	2%
Service Charges	10%	4%	2%	2%	2%
Energy Increase – included in management non-staff costs	10%	4%	2%	2%	2%
Pay Inflation	1.75%	1.75%	1.75%	1.75%	1.75%
Repairs and Maintenance – non-staff costs	12%	5%	3%	3%	3%
Supervision and Management non-staff costs	10%	4%	2%	2%	2%
Capital Works Costs – except certain fixed elements	12%	5%	3%	3%	3%
Void Rates	2%	1.5%	1.5%	1.5%	1.5%
Bad Debt Rates	0.95%	0.95%	0.95%	0.95%	0.95%
Interest Rates on Borrowing	5%	4.5%	4.5%	4.5%	4.5%
Opening Stock Numbers	18,594	18,083	17,828	17,743	17,683
Right to Buy Sales	115	115	115	115	115

Area of Business Plan	Comments	Assumptions	Risk
<b>Stock Numbers</b>	The number of dwellings drives the level of income and costs which vary with the number of properties. This includes right to buy numbers, demolitions, remodelling of stock and new developments.	Proposed numbers are as outlined in table 1 above.	There is a risk that the number of successful right to buy applications increase and or there are barriers to new development resulting in a variation to the stock base. Any variation will impact both income and costs.
<b>Inflation CPI/RPI</b>	Inflation rates have significantly increased, particularly for 2023/24. Recent ONS announced (19 October) shows current CPI at 10.1% and RPI at 12.6%. OBR forecasts for future years predict CPI at 4.1% for 2023/24 and average 2% over future years. RPI at 5.6% for 2023/24 and average 3% over future years	CPI and RPI rates have been taken for each year as shown in table 1 above.	Hyper-inflation has exacerbated the uncertainties of accurate modelling but is the most accurate in line with current information. OBR are the best estimates to hand however this will be kept under review. CPI impacts on both costs and income.
<b>Minimum Working Balance</b>	The HRA has an agreed minimum balance requirement to ensure there is adequate reserves cover.	£3m assumed throughout the plan	There is a risk that this is insufficient and there are unforeseen events that cannot be met.
<b>Salary Increases (Pay award)</b>	This cost pressure relates to the cost of pay award agreed for employees of the Council as well as agreed pay increments. Local Authority pay awards are determined through the national bargaining process rather than being mandated by Government. However, the messaging and government resource allocations for the future are likely to influence that national bargaining process. Current Pay offer estimates additional costs of around 5.7% or £1.5m.	Pending a formal offer, and for planning purposes it is assumed that the pay awards will be 1.75% (£0.5m in 2023/24 after impact of 2022/23 pay award estimate) across each year.	Pay increases which are agreed could be much higher than expected. This is unknown given current pay offer and cost of living.  Alternative scenarios can be run regarding pay. There may be some cross over with the job evaluation cost pressure.
<b>Revenue Repairs</b>	There is a backlog of repairs amounting to £3m which has been added to 2022/23. Assumed current overspend is reduced within budget and £0.5m of the additional investment for void backlog works is removed.	Inflation assumption using RPI.	There is a risk that the number of voids and turnover rate does not enable the £0.5m to be removed. There is also a balance between void loss and cost of repairs and timing of major estate works.

Area of Business Plan	Comments	Assumptions	Risk
<b>Rent Increases</b>	Rent policy is CPI + 1% but the Autumn Statement confirmed a upper limit of 7% on rent increases for 2023/24	Assumes 7% rent increase on all stock for 2023/24 reverting to rent policy for thereafter.	A 1% variation on the rental increase would result in £3.950m less income over the medium term and £27.9m over 30 years. This in turn would bring borrowing forward by 1 year and by year 30 it would need to rise by a further £51m.
<b>Service Charge Increases</b>	Charges are based on full cost recovery however impact assessments are completed and stepped charges applied where appropriate. Service charge increase should be broadly comparable to rent increases although this does not preclude full cost recovery.	For the purposes of financial modelling charges have been increased by CPI as currently we operate on a full cost recovery model.	Actual costs may be far higher than charges modelled which could result in a disparity between income and expenditure.
<b>Void Rates</b>	Void rates vary depending upon the stock and within the plan for modelling purposes the stock has been divided to enable different void rates to be applied. This is most important for those subject to demolition or remodelling where void rates will increase as they are decanted.	Void rates used in the plan are outlined in table 1 above. The current void loss is 2.94% against a budget of 2.5%	There is a risk that void rates increase in areas where properties are more difficult to let and this will impact the level of income.
<b>Bad Debt Rate</b>	This is the value of the increase required to maintain the bad debt provision at an adequate level. Increasing current debt will have little impact as the debt profiling increases the risk of it becoming uncollectable with age.	Bad debt rates used in the plan are outlined in table 1 above. The 2021/22 actual was 0.86%	Income collection rates decrease but there is a lag in the impact on the provision due to the methodology used in maintaining the provision.
<b>Other Income</b>	Non dwelling rents such as garages have experienced a reduction in demand and for the purposes of financial modelling have been maintained at the current budget for the life of the plan. The stock loss over the plan does not directly vary other income so this has been managed through inflation	Non dwelling rent not inflated and Water Commission RPI to 2027/28 but no further inflation applied due to reduction in stock so assumed a level of offset.	Positive risk that non dwelling rents can be increased without impacting demand.

Area of Business Plan	Comments	Assumptions	Risk
<b>Capital Receipts</b>	The income from right to buy receipts can be used to fund redevelopment. There is an accumulated reserve of £12.6m which is estimated to be used over the next 5 years. Receipts received in year will be used to fund the capital programme except from 2025/26 the Council will begin to accrue 1-4-1 receipts which must be used for new homes and cannot be combined with grant. Based on the current policy if not used these need to be repaid. Given development is assumed to attract grant the receipts are estimated to begin to be repaid in 2030/31 but this will be kept under review.	Current average RTB value £89,283 (2021/22). Projected to be fairly constant over the next 5 years and then a slight increase at CPI.	The sales are higher or lower than modelled which could impact the amount available to fund the capital programme
<b>Homes England Grant Funding</b>	It is assumed new developments will attract funding The Council has a good track recorded of securing Homes England Funding.	£35,000 per property assumed over the 400 units	There is a lower value of grant awarded however 1-4-1 right to buy receipts could instead be applied. There may need to be a conscious decision to not bid for grant and utilise the receipts.
<b>Major Works</b>	The HRA capital programme is reflective of the agreed 2022/23 – 2026/27 and thereafter with adjustments made to reflect the slippage at Q2.	Based on stock condition survey and rise with RPI with the exception of aids and adaptations and fees which are cash limited.	There is a risk that costs rise above inflation but the latest forecast have been used in the plan.
<b>Depreciation</b>	Depreciation is a real cost in the HRA and is used to fund major repairs (capital). In 2022/23 the amount needed to fund the programme based on the original assumptions regarding capital receipts is £1.9m lower than originally budgeted but the charge to the HRA increased in 2021/22 which increased the estimated 2022/23 value and this must be charged to the HRA and set aside for capital expenditure.	Charged in line with actual 2021/22 and uplifted for RPI – restricted to 3% for 2023/24 and 2024/25 despite higher projections for RPI.	There is a risk that the depreciation charge is higher than modelled in the plan which would have an impact on the HRA balances as use of receipts would need to reduce, this will need to be kept under review. Undertaking an annual review will assist in mitigating this risk.

Area of Business Plan	Comments	Assumptions	Risk
<b>Interest rates on Borrowing</b>	The recent increase in the Bank of England base rates has resulted in interest rates overall increasing. The current rate is 2.25% compared to 0.1% this time last year.	Interest rates for new borrowing for 2022/23 are estimated at 5.5%, 5% 2023/24 and 4.5% thereafter.	There is a risk interest rates increase further however there could be a positive risk of rates reducing for new borrowing.
<b>HRA Debt</b>	The opening HRA CFR is £345,505m. Each HRA loan is separately identified and debt profiled based on known interest rates. It is assumed that when debt matures it is refinanced.	The level of additional debt accrued over the 30 year plan is dependent upon the rent scenario.	

## 6. Risk Assessment

- 6.1 A comprehensive financial risk assessment has been undertaken to ensure that all risks and uncertainties affecting the council's HRA financial position are identified. These will be reviewed each year as part of the refresh of the HRA Business Plan. The key strategic financial risks to be considered are as follows:

Risk	Risk Management	Likelihood	Impact
<b>Inflation (Negative Risk)</b> Rent increases linked to CPI with the majority of other costs linked to RPI.	HRA Balances are risk assessed and budget contingency built into the annual cost to ensure variations inflation rates can be managed. Service Charges based on actual cost recovery.	Moderate	Medium
<b>Interest rate increases (Negative Risk)</b> The impact on the cost of borrowing and therefore assessment of affordability of the capital programme.	Interest rates in the plan have been forecast to increase over the medium term assuming they will not stay at the current low rates.	Moderate	Medium
<b>Rent and Service Charges (Negative Risk)</b> The Government could impose further limits on rent increases beyond 2023/24. Service charges may not be fully recovered.	Lower than anticipated rent increases would require reductions in spending plans within the plan and need to reassess the assumptions. Service charge costs are forecast based on current actual costs any increase above the forecast would be considered in the following year with the same applying if there are reductions.	Unlikely	High

Risk	Risk Management	Likelihood	Impact
<b>Stock Investment (Negative Risk)</b> Investment needs exceed planned expenditure due to unforeseen investment requirements or changes to the prescribed standards.	HRA Asset Management Strategy to be considered alongside this plan. The investment plan is based upon stock condition information. Stock viability assessments are undertaken. There is additional coverage in the plan to deal with cost increases or additional expectations.	Moderate	High
<b>Right to Buy Sales (Negative/Positive Risk)</b> External factors mean that RTB sales in terms of numbers or value are either higher or lower than forecast without a corresponding change to stock through acquisition or new build.	RTB assumptions are adjusted annually based on the prior year trend. There is a tapering assumption built into the plan. The new build in the plan is not a direct replacement for the RTB sales and therefore it is unlikely plans would be altered dependent on the RTB sales.	Moderate	Low
<b>Anticipated Savings/ efficiencies are not achieved (Negative Risk)</b> The plan includes efficiency savings required to ensure investment plans are sustainable.	Regular monitoring and reporting takes place. The cumulative impact over the medium term may make savings in the later years more challenging. Non achievement of savings/efficiencies will require a reassessment of investment priorities.	Moderate	High
<b>Welfare Reform (Negative Risk)</b> Tenants and leaseholders impacted by welfare changes have insufficient income to pay the rent/service charges. There could also be an increase in the need for Council housing services.	The impact of welfare reform continues to be planned for and monitored through the Council Scrutiny Framework.	Likely	Medium
<b>Legislative Change (Negative Risk)</b> New legislation/regulation is introduced which results in increased financial pressures.	Ongoing tracking and horizon scanning in relation to emerging policy and legislation and an annual review through the business plan updated.	Moderate	High
<b>Brexit (Negative Risk)</b> The impact of Brexit has created economic instability the impact of which could lead to additional cost pressures either directly or indirectly.	Continue to work collaboratively with treasury advisors to assess potential budget impacts whilst the Government attempts to ensure an effective transition to a new economic relationship between the U.K. and the EU, including clarifying the procedures and broad objectives that will guide the process.	Likely	Medium/ High



## 7. Conclusion

- 7.1 The revised HRA business plan together with the HRA Asset Management Strategy ensure that the HRA investment plans are sustainable over the medium and longer term. This plan confirms the priority given to ensuring the Council's homes are safe and fully compliant with building legislation and regulation and will make a significant contribution to the Residential Growth Strategy with a planned HRA funded development programme of 400 new homes over the next 10 years.
- 7.2 Despite this there are still challenges within this plan and assumptions made regarding future costs that will need to be kept under constant review. Savings outlined in the plan will need to be delivered to ensure the sustainability of the HRA and therefore robust savings plans will be developed to underpin their delivery.

HRA Operating Account 30 Years

Year	Year	Rental Income	Service Charge Income	Void Losses	Non-Dwelling Rents	Charges For Services	Other Income	Total Income	Supervision and Management	Repairs and Maintenance	Depreciation	Debt Mgmt Expenses	Bad Debts	Total Expenditure	Net Cost of HRA Services	Interest Charges	Surplus / (Deficit) in Year on HRA Services	Revenue Contributions to Capital	Surplus / (Deficit) for the Year	HRA Reserve Opening Balance	HRA Reserve Closing Balance
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	2022/23	78,511	2,512	-3,267	1,345	2,291	977	82,370	-31,273	-30,117	-16,600	-73	-768	-76,231	6,138	-12,100	-5,962	-0	-5,962	26,160	20,198
2	2023/24	82,775	2,586	-2,668	1,345	2,566	1,094	87,698	-29,487	-26,112	-17,019	-78	-809	-73,506	14,192	-12,266	1,926	-12,966	-11,040	20,198	9,158
3	2024/25	86,567	2,565	-1,743	1,345	2,694	1,149	92,578	-28,789	-25,987	-17,048	-82	-845	-72,751	19,826	-12,528	7,299	-8,216	-918	9,158	8,240
4	2025/26	86,075	2,539	-1,645	1,345	2,775	1,183	92,273	-28,984	-25,768	-17,124	-85	-840	-72,801	19,472	-12,687	6,785	-3,227	3,558	8,240	11,798
5	2026/27	87,292	2,548	-1,476	1,345	2,858	1,219	93,786	-28,691	-25,680	-17,145	-87	-852	-72,456	21,331	-12,849	8,481	-7,707	774	11,798	12,572
6	2027/28	88,743	2,581	-1,462	1,345	2,796	1,219	95,221	-28,425	-26,191	-17,234	-90	-866	-72,807	22,415	-12,891	9,524	-9,249	275	12,572	12,848
7	2028/29	90,231	2,620	-1,716	1,345	2,880	1,219	96,579	-28,832	-26,737	-17,348	-93	-880	-73,889	22,690	-13,110	9,579	-12,989	-3,410	12,848	9,438
8	2029/30	91,695	2,660	-2,111	1,345	2,966	1,219	97,774	-29,246	-27,294	-17,447	-95	-895	-74,977	22,798	-13,167	9,631	-15,795	-6,164	9,438	3,274
9	2030/31	95,082	2,756	-1,808	1,345	3,055	1,219	101,649	-29,668	-27,869	-17,546	-98	-928	-76,110	25,539	-13,245	12,294	-12,568	-274	3,274	3,000
10	2031/32	94,811	2,745	-1,497	1,345	3,147	1,219	101,770	-30,093	-28,464	-17,661	-101	-925	-77,244	24,526	-13,346	11,180	-11,180	0	3,000	3,000
11	2032/33	96,429	2,789	-1,521	1,345	3,241	1,219	103,501	-30,528	-29,071	-17,776	-104	-941	-78,420	25,081	-13,533	11,548	-9,150	2,397	3,000	5,397
12	2033/34	97,934	2,833	-1,544	1,345	3,338	1,219	105,125	-30,969	-29,693	-17,892	-107	-955	-79,617	25,508	-13,599	11,909	-13,306	-1,397	5,397	4,000
13	2034/35	99,320	2,878	-1,566	1,345	3,438	1,219	106,634	-31,418	-30,329	-17,967	-111	-969	-80,793	25,841	-13,848	11,992	-12,992	-1,000	4,000	3,000
14	2035/36	102,733	2,982	-1,620	1,345	3,542	1,219	110,200	-31,877	-30,979	-18,042	-114	-1,002	-82,013	28,187	-14,109	14,078	-14,078	0	3,000	3,000
15	2036/37	102,141	2,970	-1,611	1,345	3,648	1,219	109,711	-32,338	-31,644	-18,116	-117	-997	-83,212	26,499	-14,356	12,144	-12,144	0	3,000	3,000
16	2037/38	103,576	3,017	-1,634	1,345	3,757	1,219	111,280	-32,809	-32,324	-18,190	-121	-1,011	-84,455	26,825	-14,676	12,149	-12,149	0	3,000	3,000
17	2038/39	105,027	3,065	-1,657	1,345	3,870	1,219	112,868	-33,288	-33,020	-18,263	-125	-1,025	-85,721	27,147	-15,036	12,111	-12,111	0	3,000	3,000
18	2039/40	106,495	3,113	-1,681	1,345	3,986	1,219	114,478	-33,775	-33,732	-18,336	-128	-1,039	-87,012	27,466	-15,464	12,002	-12,002	0	3,000	3,000
19	2040/41	108,061	3,164	-1,706	1,345	4,106	1,219	116,189	-34,271	-34,473	-18,409	-132	-1,054	-88,339	27,850	-15,915	11,935	-11,935	0	3,000	3,000
20	2041/42	111,919	3,282	-1,767	1,345	4,229	1,219	120,227	-34,777	-35,243	-18,510	-136	-1,092	-89,757	30,470	-16,322	14,148	-14,148	0	3,000	3,000
21	2042/43	111,420	3,272	-1,759	1,345	4,356	1,219	119,853	-35,286	-36,031	-18,610	-140	-1,087	-91,154	28,698	-16,757	11,941	-11,941	0	3,000	3,000
22	2043/44	113,135	3,328	-1,786	1,345	4,486	1,219	121,726	-35,806	-36,839	-18,711	-144	-1,104	-92,603	29,123	-17,232	11,891	-11,891	0	3,000	3,000
23	2044/45	114,874	3,384	-1,814	1,345	4,621	1,219	123,629	-36,334	-37,665	-18,812	-149	-1,121	-94,081	29,548	-17,744	11,804	-11,804	0	3,000	3,000
24	2045/46	116,637	3,442	-1,842	1,345	4,760	1,219	125,560	-36,872	-38,512	-18,913	-153	-1,138	-95,588	29,972	-18,324	11,648	-11,648	0	3,000	3,000
25	2046/47	118,425	3,500	-1,871	1,345	4,902	1,219	127,520	-37,419	-39,378	-19,014	-158	-1,156	-97,124	30,396	-18,975	11,421	-11,421	0	3,000	3,000
26	2047/48	122,638	3,630	-1,938	1,345	5,049	1,219	131,944	-37,978	-40,266	-19,115	-162	-1,197	-98,718	33,226	-19,649	13,577	-13,577	0	3,000	3,000
27	2048/49	122,076	3,619	-1,929	1,345	5,201	1,219	131,531	-38,539	-41,174	-19,216	-167	-1,192	-100,289	31,242	-20,352	10,891	-10,891	0	3,000	3,000
28	2049/50	123,939	3,681	-1,959	1,345	5,357	1,219	133,582	-39,113	-42,105	-19,318	-172	-1,210	-101,918	31,664	-21,356	10,307	-10,307	0	3,000	3,000
29	2050/51	126,123	3,749	-1,993	1,345	5,518	1,219	135,960	-39,697	-43,104	-19,419	-178	-1,231	-103,629	32,331	-23,702	8,630	-8,630	0	3,000	3,000
30	2051/52	128,645	3,826	-2,033	1,345	5,683	1,219	138,685	-40,291	-44,176	-19,614	-183	-1,256	-105,519	33,167	-25,248	7,919	-7,919	0	3,000	3,000

## Appendix 2

Housing Capital	Description	2023/24	2024/25	2025/26	2026/27	2027/28	Total
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Improvement Works</b>							
Aids & Adaptations	To carry out identified adaptations to Council Dwellings to enable people to live safely and independently within their home.	1,500	1,500	1,500	1,500	1,500	<b>7,500</b>
Communal Mechanical & Electrical works	Essential works to upgrade communal services in accordance with stock condition, building safety & compliance needs.	579	612	618	679	647	<b>3,134</b>
Digital Transformation	Transformational upgrade work to block building management services such as CCTV and door entry services	700	702	700	804	800	<b>3,706</b>
Environmental & Estate Improvement	Improvements to the public realm in and round estates	100	103	100	768	799	<b>1,870</b>
Garage Improvement Programme	Essential works to improve sustainable garage blocks, demolish unviable stock and investigation conversion & change of use where practicable	200	200	220	340	300	<b>1,260</b>
Block communal improvements	Improvements to the communal areas and spaces in blocks	705	743	762	874	809	<b>3,892</b>
<b>Building Safety</b>							
Building safety improvements	Essential work to meet building safety and compliance obligations	790	877	827	250	200	<b>2,945</b>
Safety & Security	Work to install and renew smoke and CO detection.	60	73	74	101	103	<b>411</b>
HRA Commercial Property Improvements	Targeted interventions in the HRA commercial portfolio to meet landlord obligations	50	50	50	50	10	<b>210</b>
<b>Major Future Works</b>							
Energy & Carbon Net Zero	Delivery of work packages to improve insulation, install green technology and energy solutions that will support achieving Net Zero.	0	0	0	5,194	5,350	<b>10,545</b>
Major Investment Scheme	Targeted Transformation investment work	1,970	0	0	0	0	<b>1,970</b>
Domestic Heating Improvements	Replacement of failed and obsolete heating systems, upgrading them with more efficient solutions to help address fuel poverty issues.	2,604	2,716	2,779	2,902	2,910	<b>13,911</b>
Door & Window replacements	Continuation of the window replacement door replacement programme. Focused on medium rise blocks, but also picking up 'one off' whole house replacements	797	1,037	865	380	389	<b>3,468</b>
Decent Homes	Continuation of planned estate-based improvement work to the Council's housing stock in accordance with decent homes and building safety principles, prioritised using stock condition data.	5,352	5,947	6,578	7,097	8,936	<b>33,910</b>
Contractual Obligations	Preliminary costs associated with schemes	2,000	2,000	2,000	2,000	2,000	<b>10,000</b>
Fixed Budget Fees	Continuation of the rolling programme of condition surveys to enable effective asset management, options appraisals and the development of future investment schemes.	550	550	550	550	550	<b>2,750</b>
<b>Expectational Works</b>							
Regeneration and Demolition	Delivery of option appraisal outcomes - acquisition / conversion / demolition of unsustainable HRA assets.	11,800	5,807	2,744	622	0	<b>20,973</b>
<b>Housing Developments</b>							
New Build/Acquisition - Various	Investment to create new Council homes.	10,343	10,343	8,392	9,231	6,714	<b>45,023</b>
<b>Total Budget from BP data</b>		<b>40,099</b>	<b>33,260</b>	<b>28,759</b>	<b>33,341</b>	<b>32,017</b>	<b>167,477</b>

This page is intentionally left blank