



HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN 2023-2053

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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 This refresh of the plan is set against a backdrop of an extremely challenging financial situation. There is high inflation amidst uncertainty around international issues, the national economy and cost of living crisis, notably around food, fuel and utility prices across the country together with increasing interest rates as one measure to reduce inflation.
- 1.4 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.
- 1.5 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 £3.859 million with a requirement for this to be front loaded with £1.542 million required in 2024/25.
- 1.6 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.
- 1.7 However, to accommodate the stock investments and associated cost implications borrowing would increase to £757.018 million by year 30 which is £411.513 million higher than the current debt and £148.518 million more than the increase estimated in February 2023 to the then year 30. Additional borrowing will start to accrue in year 6 of the plan rather than year 7 as it would be now.
- 1.8 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 2022 the Chancellor announced a cap on rent increases of 7% for 2023/24. Whilst this applied to current tenancies it did not apply to the calculation of the maximum initial rent when properties are first let or subsequently re-let. In particular, the restriction does not apply to the calculation of formula rent that apply to social rent properties; these continue to increase by CPI plus an additional 1%.

2.2.4 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.

2.2.5 Future rent increases will not mitigate against the reductions during 2016-2020 or the rent cap in 2023/24 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. The latest information is that the migration will continue until 2028/29. During the current year the focus of the migration will be on Tax Credit cases only.

- 2.4.2 At the start of the current year (April 2023) 38% of council tenants were in receipt of Universal Credit, and 36% 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 2022/23, the average rent arrears of tenants on Universal Credit were £565, almost six times that of those still on Housing Benefit (£95).
- 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.
- Introduction of 4 yearly inspections, including the 'naming and shaming' of non-compliant and failing landlords, and potentially unlimited fines.
- A review of the consumer standards during the Autumn of 2023.

2.5.3 Funding has been identified within the HRA Business Plan to support compliance with the consumer standards, ensuring service improvement aligns the 'tenant voice', and to prepare the overall Housing Service for inspection/

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 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.

2.6.3 In March 2023 the Department for Levelling Up, Housing & Communities (DLUHC) wrote to stock holding housing authorities informing them that for the next two financial years 2022/23 and 2023/24, local authorities will be permitted to retain the share of Right to Buy (RTB) receipts that had previously been returned to the Treasury. These receipts can be retained on the same conditions as additional 1-4-1 receipts

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. An interim Net Carbon Zero Strategy will be launched in 2023 be developed to accompany the HRA Asset Strategy. The interim strategy will layout the steps that need to be taken to introduce a full Retro-fit Strategy in 2024, to support the prioritisation and delivery of Net Zero work packages.

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-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 Principal Accountable Person must register each high rise building, provide each building's key information and a building safety case report. The building safety case report will show how building risks are being proactively managed and residents kept safe. High rise buildings will be split into three tranches, with building safety cases for tranche one, buildings over 50m in height, required for March 2024. Gateshead has three tranche one properties with a fourth likely to be included.

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. This has included a full and intrusive survey of the construction of the external wall system of each building, and an ongoing fire door inspection programme.

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 The Housing Development Strategy 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.

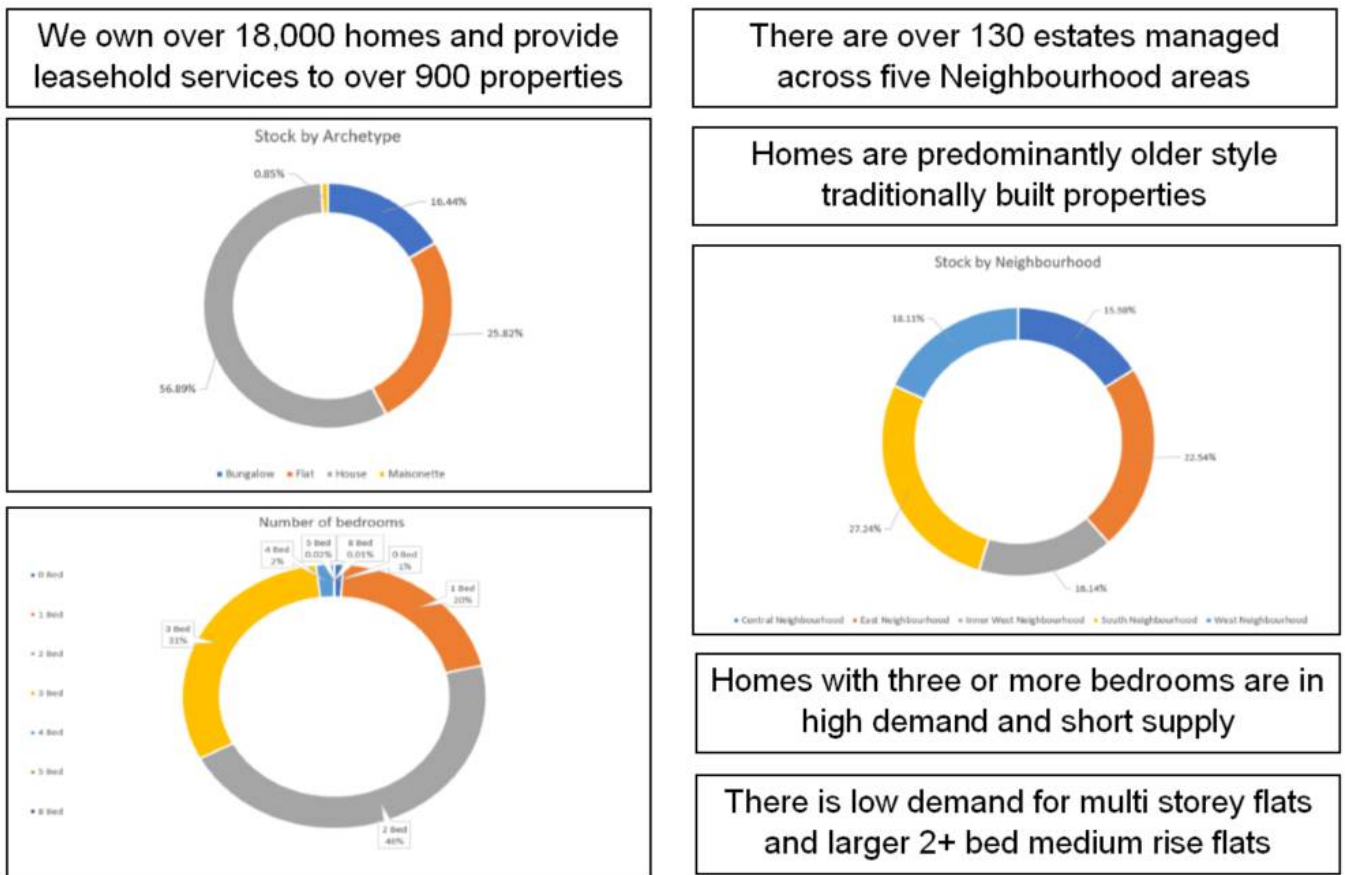
3.9 Resident Influence Strategy

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.

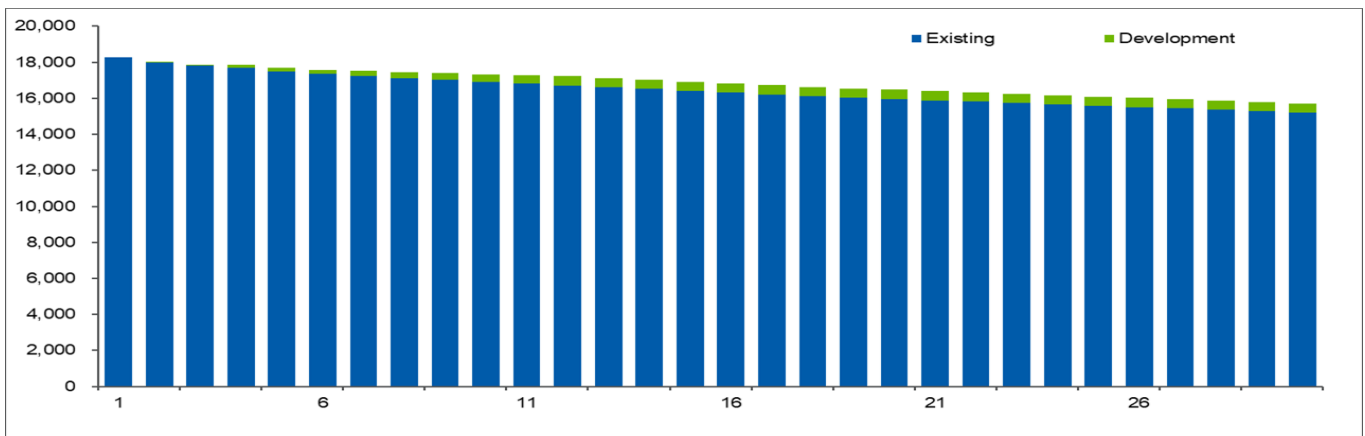
4. HOUSING INVESTMENT PLAN

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 15,645 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 & the mitigation of damp, mould & condensation
- Ensuring compliance with building safety measures
- Investment in garage sites and the HRA public realm
- Investment in IT Infrastructure and digitally enabled blocks
- 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, ventilation 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. A Retro-fit Strategy is being developed to steer how, where, and when works are delivered, maximising the impact of work and the prioritising the interventions that will have the most impact for residents.

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 just over 3,600 garages currently in the HRA making up 510 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 phase of non-viable sites have been decommissioned and demolished, work on phase two is underway. Work is also 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 has been undertaken. It has assessed the existing IT strategy and future organisational need. The recommendations from the review are now being worked through to ensure the HRA is supported by a robust IT infrastructure.

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 in Sir Godfrey Thomson Court is continuing well. Demolition work should begin before the end of 2023/24, with a contractor anticipated to be appointed before the end of the calendar year 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

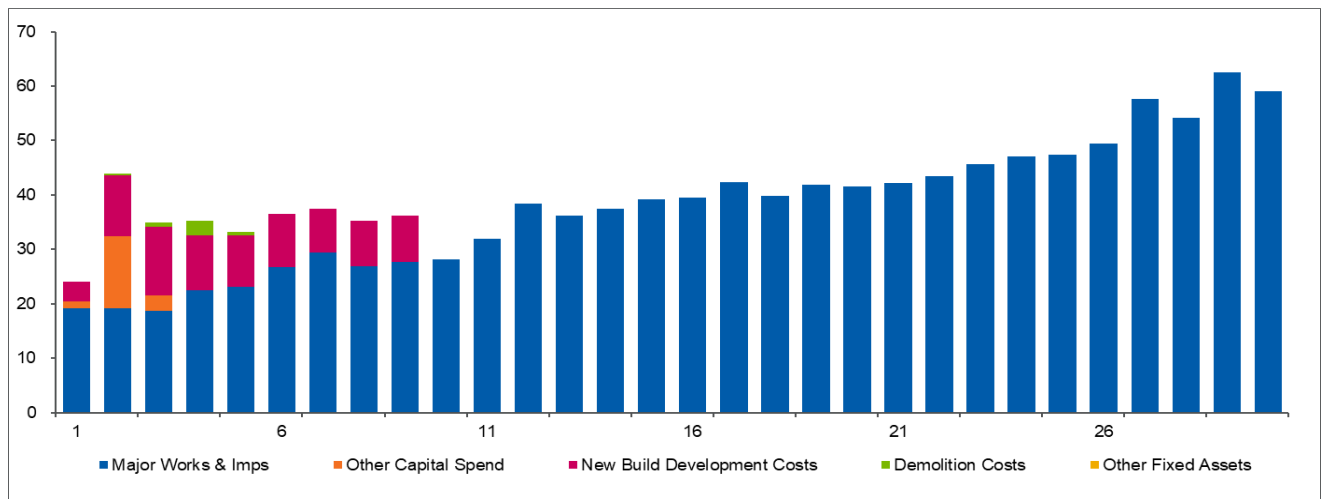
4.12.1 The plan includes the continued development of new social housing units to reach 400 by 2033 as from 2022/23 and it has been assumed that the Treasury share of Right to Buy receipts will be used to fund the units first and then there will be an opportunity to bid for Homes England grant funding to support the delivery of the remaining units not funded from the receipts.

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 2023/24 to 2052/53 is attached at Appendix 1.
- 5.4 The plan requires as a minimum savings of £3.859 million which has been phased as follows:

Year	Total Annual Savings £000	Total Cumulative Savings £000
2024/25	1,542	
2025/26	1,022	2,564
2026/27	773	3,337
2027/28	522	3,859
2028/29	-	3,859
Total	3,859	

- 5.5 The capital investment included in the 30-year plan is £1.242 billion the split of which is detailed in the following graph:

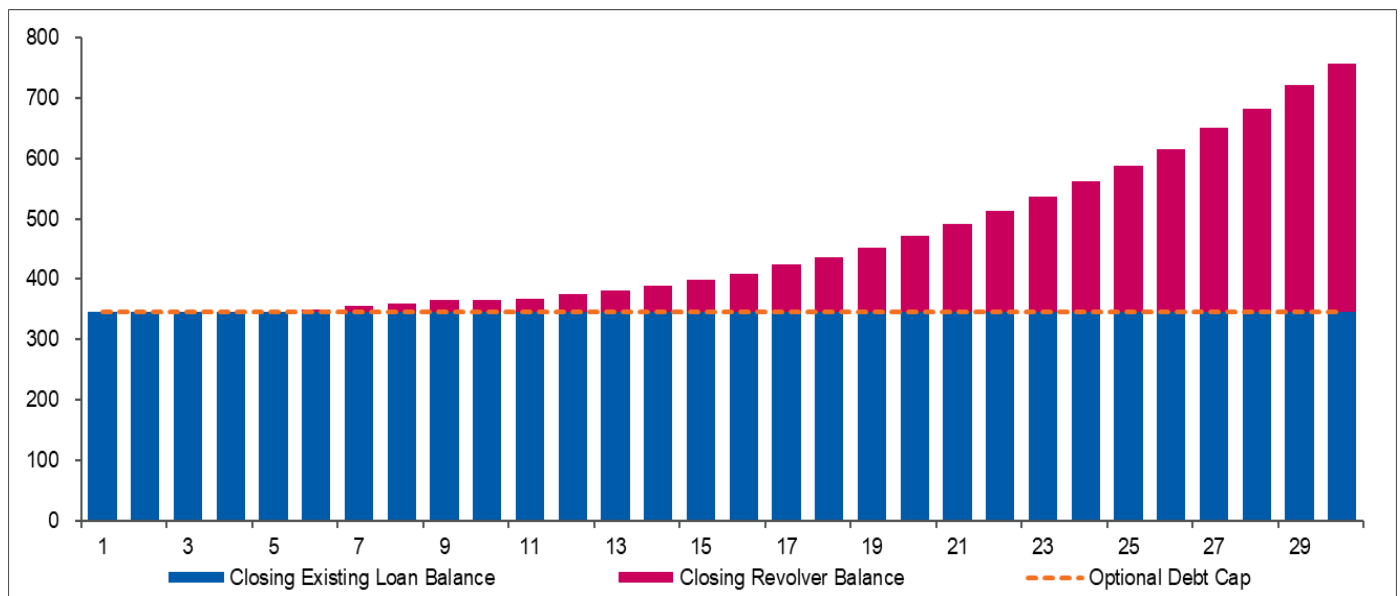


5.6 A summary of the planned 5-year 2023/24-2027/28 capital programme is shown in appendix 2.

5.7 Borrowing Requirement

5.7.1 The proposed plan shows that by year 30 borrowing will increase to £757.018 million which is £411.513 million higher than the current underlying loan debt. Borrowing will however not rise to a level above this until year 6 (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 2024/25 -2028/29 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	2024/25	2025/26	2026/27	2027/28	2028/29
CPI	5.4%	2%	2%	2%	2%
RPI	8.1%	3%	3%	3%	3%
Rent increase	6.4%	2%	2%	2%	2%
Service Charges	6.4%	2%	2%	2%	2%
Energy Increase – included in management non-staff costs	8.1%	3%	3%	3%	3%
Pay Inflation	5.4%	2%	2%	2%	2%
Repairs and Maintenance – non staff costs	8.1%	3%	3%	3%	3%
Supervision and Management non-staff costs	8.1%	3%	3%	3%	3%
Capital Works Costs – except certain fixed elements	8.1%	3%	3%	3%	3%
Void Rates	1.5%	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	4.75%	4%	3.5%	3.5%	3.5%
Right to Buy Sales	115	115	115	115	115

Area of Business Plan	Comments	Assumptions	Risk
Stock Numbers	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.
Inflation CPI/RPI	On 21 June May ONS announced CPI annual inflation for May of 8.7% (unchanged from April) and RPI of 11.3%. OBR forecasts for future years predict CPI at 5.4% (Q3 2023) for 2024/25 and average 2% over future years. RPI at 8.1% (Q3 2023) for 2024/25 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 for this purpose however this will be kept under review. CPI impacts on both costs and income.
Minimum Working Balance	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.
Salary Increases (Pay award)	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.	Previously an uplift of 1.75% was applied to salaries. However, the 2022/23 pay award was significantly higher than anticipated. The assumption has therefore been increased for this refresh of the plan using CPI forecasts.	Pay increases which are agreed could be much higher than expected. This is unknown given pay uplift for 2023/24 is not yet agreed and is held in contingency. Alternative scenarios can be run regarding pay. There may be some cross over with the job evaluation cost pressure.
Revenue Repairs	2022/23 outturn included £3m one off investment for backlog of repairs. This has not been carried forward into the 2023/24 budget.	Inflation assumption using RPI.	There is a risk that the void work cost and turnover rate does not enable delivery within budget. 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
Rent Increases	Rent policy is CPI + 1%. Cap on rent of 7% for 2023/24 but no indication at this stage of a similar position for 2024/25.	CPI is forecast to be 5.4% and there for CPI+1% is assumed in the business plan reverting to CPI only thereafter.	There is a risk of Government intervention and a cap on rent increases lower than presumed in the plan but as the forecast CPI +1% is lower than the 2023/24 cap it is considered a lower risk. A 1% variation on the rental increase would result in £4.1m less income over the medium term and £29.1m over 30 years. This in turn would bring borrowing would need to rise by a further £76m.
Service Charge Increases	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 + 1% for 2024/25 and CPI thereafter.	Actual costs may be far higher than charges modelled which could result in a disparity between income and expenditure.
Void Rates	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 (month 3) is 3.33% against a budget of 2%.	There is a risk that void rates increase in areas where properties are more difficult to let or are unachievable and this will impact the level of income.
Bad Debt Rate	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 2022/23 actual was 0.96%	Income collection rates decrease but there is a lag in the impact on the provision due to the methodology used in maintaining the provision.

Area of Business Plan	Comments	Assumptions	Risk
Other Income	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.
Capital Receipts	There is an accumulated reserve of £16.6m which is estimated to be used over the next 5 years. Receipts received in year will be used to fund the capital programme. In 2022/23 the Government introduced for a period of two years the ability to retain the Treasury share. This has specific constraints to its use around new properties and this is included in the development assumptions.	Current average RTB value £96,282 (2022/23). Projected to increase with CPI.	The sales are higher or lower than modelled which could impact the amount available to fund the capital programme.
Homes England Grant Funding	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 after using the Treasury retained RTB receipts as you cannot combine the use of them.	There is a lower value of grant awarded There may need to be a conscious decision to not bid for grant and utilise the receipts if the Government were to extend the ability to retain the Treasury share.
Major Works	The HRA capital programme is reflective of the agreed 2023/24 programme with slippage from 2022/23 incorporated. Stock condition information has been updated and reflect the most up to date forecasts.	Based on stock condition survey and rise with RPI except for extensive exceptional works such as net zero carbon, aids and adaptations and estate works (non-dwelling works) which are cash limited in the early years of the plan. Fees are aligned to pay increases. Most works vary with the stock numbers which is built into the business plan.	There is a risk that costs increase at a level above the forecast RPI.

Area of Business Plan	Comments	Assumptions	Risk
Depreciation	Depreciation is a real cost in the HRA and is used to fund major repairs (capital). In 2022/23 the level of depreciation was £3.229m higher than originally budgeted which was due to a change in valuation methodology. This has been factored into the revised plan.	Following advice from the Council's Valuers charged in line with actual 2022/23 for 2023/24 but restricted to not increase with inflation but vary with stock numbers.	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.
Interest rates on Borrowing	Borrowing rates are currently unpredictable and reflective of the consecutive increases in the Bank of England base rate. The rates for borrowing also take account the term of the borrowing and therefore rates can vary.	Interest rates for new borrowing for 2023/24 are estimated at 5% with future years outlined in table 1 above.	There is a risk interest rates increase further however there could be a positive risk of rates reducing for new borrowing.
HRA Debt	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 significant at £757.018m.	The HRA plan is affordable over the long term however an annual refresh will enable the level to be monitored.

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
Inflation (Negative Risk) 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 in inflation rates can be managed. Service Charges based on actual cost recovery but linked to the rent increases in the plan.	Moderate	Medium
Interest rate increases (Negative Risk) 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 decrease over the medium term assuming they will not stay at the current higher rates.	Moderate	Medium
Rent and Service Charges (Negative Risk) 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 set based on forecast actual costs any increase above the forecast would be considered in the following year with the same applying if there are reductions.	Unlikely	High
Stock Investment (Negative Risk) 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
Right to Buy Sales (Negative/Positive Risk) 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

Risk	Risk Management	Likelihood	Impact
Anticipated Savings/ efficiencies are not achieved (Negative Risk) 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
Welfare Support (Negative Risk) 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 the welfare support changes continues to be planned for and monitored through the Council Scrutiny Framework.	Likely	Medium
Legislative Change (Negative Risk) 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
Inspection Outcome (Negative Risk) Inspection outcomes are poor and impact on the reputation of the Council, potentially the imposition of financial penalties.	Creation of an inspection team and self / external assessment against the consumer standards to identify areas for improvement. Improved assurance through reporting to Members and tenants as appropriate. Delivery and embeddedness of the Housing Improvement Programme.	Unlikely	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 Housing Development Programme with a planned HRA funded development programme of 400 new homes by 2033.
- 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	2023/24	81,939	2,862	-1,822	1,297	2,905	1,094	88,274	-29,803	-27,090	-19,264	-78	-804	-77,039	11,235	-12,218	-984	0	-984	19,561	18,577
2	2024/25	88,038	2,951	-1,805	1,297	2,421	1,183	94,085	-30,520	-27,069	-18,980	-82	-863	-77,515	16,570	-12,486	4,084	-8,672	-4,588	18,577	13,990
3	2025/26	87,792	2,928	-1,904	1,297	2,469	1,218	93,800	-31,014	-27,021	-18,834	-86	-861	-77,815	15,985	-12,606	3,379	-4,934	-1,555	13,990	12,435
4	2026/27	89,317	2,998	-1,726	1,297	2,519	1,255	95,659	-31,663	-26,925	-18,822	-87	-876	-78,372	17,287	-12,713	4,574	-9,095	-4,521	12,435	7,914
5	2027/28	90,454	3,010	-1,511	1,297	2,569	1,292	97,112	-32,251	-26,817	-18,667	-89	-887	-78,711	18,402	-12,718	5,683	-8,145	-2,462	7,914	5,452
6	2028/29	91,802	3,051	-1,789	1,297	2,620	1,331	98,312	-33,026	-27,359	-18,525	-91	-900	-79,900	18,412	-12,909	5,503	-7,955	-2,452	5,452	3,000
7	2029/30	93,387	3,098	-1,819	1,297	2,673	1,371	100,007	-33,820	-27,927	-18,461	-93	-915	-81,217	18,790	-13,042	5,748	-5,748	0	3,000	3,000
8	2030/31	96,919	3,211	-1,887	1,297	2,726	1,412	103,678	-34,637	-28,514	-18,393	-94	-950	-82,588	21,089	-13,160	7,929	-7,929	0	3,000	3,000
9	2031/32	96,689	3,199	-1,882	1,297	2,781	1,454	103,538	-35,468	-29,120	-18,340	-96	-948	-83,973	19,565	-13,304	6,261	-6,261	-0	3,000	3,000
10	2032/33	98,349	3,250	-1,914	1,297	2,836	1,498	105,317	-36,324	-29,739	-18,277	-98	-964	-85,402	19,915	-13,466	6,449	-5,671	779	3,000	3,779
11	2033/34	100,037	3,303	-1,946	1,297	2,893	1,543	107,127	-37,200	-30,372	-18,214	-100	-981	-86,867	20,260	-13,522	6,738	-7,517	-779	3,779	3,000
12	2034/35	101,602	3,356	-1,978	1,297	2,951	1,589	108,818	-38,099	-31,019	-18,151	-102	-996	-88,367	20,451	-13,733	6,718	-6,718	0	3,000	3,000
13	2035/36	105,092	3,479	-2,048	1,297	3,010	1,637	112,466	-39,024	-31,680	-18,045	-104	-1,030	-89,883	22,583	-13,967	8,616	-8,616	0	3,000	3,000
14	2036/37	104,482	3,466	-2,039	1,297	3,070	1,686	111,962	-39,965	-32,355	-17,940	-106	-1,024	-91,391	20,571	-14,159	6,412	-6,412	0	3,000	3,000
15	2037/38	105,948	3,522	-2,070	1,297	3,132	1,737	113,564	-40,934	-33,046	-17,835	-108	-1,039	-92,961	20,603	-14,473	6,130	-6,130	0	3,000	3,000
16	2038/39	107,430	3,578	-2,102	1,297	3,194	1,789	115,187	-41,927	-33,751	-17,729	-111	-1,053	-94,571	20,615	-14,832	5,783	-5,783	0	3,000	3,000
17	2039/40	108,929	3,636	-2,134	1,297	3,258	1,842	116,829	-42,945	-34,473	-17,624	-113	-1,068	-96,222	20,607	-15,255	5,352	-5,352	0	3,000	3,000
18	2040/41	110,528	3,697	-2,168	1,297	3,323	1,898	118,575	-43,988	-35,223	-17,519	-115	-1,084	-97,929	20,646	-15,722	4,924	-4,924	0	3,000	3,000
19	2041/42	114,474	3,835	-2,248	1,297	3,390	1,955	122,703	-45,062	-36,003	-17,440	-117	-1,123	-99,745	22,957	-16,265	6,692	-5,488	1,204	3,000	4,204
20	2042/43	113,959	3,825	-2,240	1,297	3,457	2,013	122,312	-46,156	-36,802	-17,361	-120	-1,118	-101,556	20,756	-16,871	3,885	-0	3,885	4,204	8,089
21	2043/44	115,710	3,891	-2,276	1,297	3,527	2,074	124,222	-47,281	-37,619	-17,282	-122	-1,135	-103,438	20,783	-17,573	3,210	-0	3,210	8,089	11,299
22	2044/45	117,487	3,957	-2,314	1,297	3,597	2,136	126,160	-48,435	-38,454	-17,203	-125	-1,153	-105,369	20,791	-18,306	2,485	-0	2,485	11,299	13,784
23	2045/46	119,287	4,025	-2,352	1,297	3,669	2,200	128,127	-49,618	-39,310	-17,124	-127	-1,170	-107,348	20,779	-19,098	1,681	-0	1,681	13,784	15,465
24	2046/47	121,113	4,095	-2,390	1,297	3,742	2,266	130,123	-50,831	-40,184	-17,045	-130	-1,188	-109,378	20,746	-19,948	797	-0	797	15,465	16,263
25	2047/48	125,422	4,248	-2,478	1,297	3,817	2,334	134,640	-52,079	-41,079	-16,966	-132	-1,231	-111,487	23,153	-20,816	2,337	-0	2,337	16,263	18,599
26	2048/49	124,842	4,236	-2,469	1,297	3,894	2,404	134,204	-53,350	-41,995	-16,887	-135	-1,225	-113,592	20,612	-21,728	-1,116	-0	-1,116	18,599	17,483
27	2049/50	126,745	4,309	-2,509	1,297	3,972	2,476	136,289	-54,658	-42,932	-16,808	-138	-1,244	-115,780	20,510	-22,819	-2,310	-0	-2,310	17,483	15,174
28	2050/51	128,674	4,383	-2,550	1,297	4,051	2,550	138,405	-56,000	-43,891	-16,729	-140	-1,263	-118,023	20,382	-23,989	-3,607	-0	-3,607	15,174	11,567
29	2051/52	130,630	4,459	-2,592	1,297	4,132	2,627	140,552	-57,376	-44,872	-16,650	-143	-1,282	-120,323	20,229	-25,235	-5,006	-0	-5,006	11,567	6,561
30	2052/53	135,262	4,626	-2,687	1,297	4,215	2,706	145,418	-58,792	-45,876	-16,571	-146	-1,328	-122,713	22,706	-26,267	-3,561	0	-3,561	6,561	3,000

Appendix 2

Housing Capital	Description	2023/24	2024/25	2025/26	2026/27	2027/28	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Improvement Works							
Aids & Adaptations	To carry out identified adaptations to Council Dwellings to enable people to live safely and independently within their home.	1,500	1,665	1,664	1,662	1,710	8,201
Communal Mechanical & Electrical works	Essential works to upgrade communal services in accordance with stock condition, building safety & compliance needs.	718	529	541	813	566	3,167
Digital Transformation	Transformational upgrade work to block building management services such as CCTV and door entry services	650	700	700	847	849	3,746
Environmental & Estate Improvement	Improvements to the public realm in and round estates	202	103	100	716	719	1,840
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	309	1,269
Block communal improvements	Improvements to the communal areas and spaces in blocks	805	649	668	1,180	709	4,010
Building Safety							
Building safety improvements	Essential work to meet building safety and compliance obligations	598	1,079	1,022	458	419	3,577
Safety & Security	Work to install and renew smoke and CO detection.	59	63	65	89	91	367
HRA Commercial Property Improvements	Targeted interventions in the HRA commercial portfolio to meet landlord obligations	79	50	50	50	10	239
Major Future Works							
Energy & Carbon Net Zero	Delivery of work packages to improve insulation, install green technology and energy solutions that will support achieving Net Zero.	80	2,000	2,000	4,088	4,211	12,379
Major Investment Scheme	Targeted Transformation investment work	328	978	0	0	8	1,314
Domestic Heating Improvements	Replacement of failed and obsolete heating systems, upgrading them with more efficient solutions to help address fuel poverty issues.	2,837	2,379	2,434	2,814	2,549	13,013
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	876	921	757	333	341	3,229
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.	7,958	5,208	5,762	6,318	7,827	33,072
Contractual Obligations	Preliminary costs associated with schemes	1,700	2,108	2,150	2,193	2,237	10,388
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	580	591	603	615	2,939
Expectational Works							
Regeneration and Demolition	Delivery of option appraisal outcomes - acquisition / conversion / demolition of unsustainable HRA assets.	1,259	13,290	3,428	2,684	635	21,296
Housing Developments							
New Build/Acquisition - Various	Investment to create new Council homes.	3,651	11,178	12,582	10,092	9,450	46,953
Other Capital							
ICT Refresh	Replacement of IT Hardware & Software licences	40	298	168	12	0	518
Total Housing Capital Budget		24,090	43,977	34,904	35,292	33,255	171,517