

WEST NORTHAMPTONSHIRE COUNCIL

CABINET

12 December 2023

Cabinet Member For Finance: Councillor Malcolm Longley

Report Title	2024-25 Draft Housing Revenue Account (HRA) Budget and Medium-Term Financial Plan
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Appendix 3 – Draft HRA Capital Programme

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1. Purpose of the Report

- 1.1 The purpose of this report is to present for consultation the draft Housing Revenue Account (HRA) revenue budget for 2024-25 and medium-term financial plan. The draft budget includes proposed increases to rent levels for tenants and leaseholders, and the proposed draft management fee payable to Northamptonshire Partnership Homes (NPH).
- 1.2 The report also presents for consultation the draft HRA Capital Programme 2024-29 which sets out the capital investment plans for the council over the medium term.

2. Recommendations

It is recommended that Cabinet:

- 2.1 approves for consultation the draft HRA budget 2024-25

- 2.2 approves for consultation the 7.7% (£8.00) increase in average rents from £103.79 to £111.79 per week, in accordance with the government's amended Rent Standard with effect from the 1 April 2024.
- 2.3 approves the 7.7% increase in tenants and leaseholder service charges with effect from the 1 April 2024 as set out in Appendix 5
- 2.4 approves the 7.7% increase in garage rents and commuter surcharges with effect from the 1 April 2024. This will increase the average rent per garage from £10.96 to £11.80 and the commuter surcharge from £17.41 to £18.75 per week respectively, as set out in Appendix 5
- 2.5 approves the draft 2024-25 management fee to Northamptonshire Partnership Homes in Appendix 4 to deliver the services in scope within the management agreement.
- 2.6 approves for consultation the draft HRA Capital Programme for 2024-25 to 2028-29.

3. Reasons for the Recommendations

- 3.1 The Council has a statutory duty to set a balanced HRA budget each year, as well as a financially sustainable capital programme.

4. Issues and Choices

4.1 Background to the Report

- 4.1.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a HRA. The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of the HRA expenditure and how these are funded, mainly from rents and service charges. The HRA budget process incorporates the calculation for the continuation of delivery of the HRA services by the Council's Arms-Length Management Organisation (ALMO), Northamptonshire Partnership Homes (NPH). This report sets out the proposed management fee for NPH for 2024-25 to provide the services in scope within the management agreement.
- 4.1.2 The Council has a statutory responsibility for the HRA and therefore retains management of the HRA. NPH, as well as being the delivery partner, also provides the Council with information on its activities, and advice on how to make best use of the resources within the HRA.
- 4.1.3 It should be noted that the total fee for NPH in 2024-25 will be subject to approval of the HRA and General Fund budgets by full Council at its meeting in February 2024.

4.2 Economic Context

- 4.2.1 The Autumn Statement was announced by the Chancellor on 22nd November 2023. The statement set out the Government's focus on its three key economic priorities of reducing inflation, economic growth and reducing debt for both 2024-25 and over the medium term. The Government also announced a number of housing and planning measures aimed at facilitating further house building by streamlining the planning process.
- 4.2.2 There were no references to major changes to departmental spending limits despite the increases in pressure being experienced in the Housing Sector. These pressures that include construction industry inflation, general shortfall in affordable housing, the impact of the war in Ukraine and the consequent high energy and food prices and the continual rise in Homelessness are all contributing towards putting increasing strain on HRA finances. The draft budget is therefore built on prudent assumptions around funding levels, inflation, interest rates, the continuing strong demand for housing, and the impact of high numbers of instances of homelessness.

National and Local Policy

- 4.2.3 Since the introduction of self-financing in 2012 there have been a host of government policy initiatives that have impacted upon housing finances. Some of the major ones are:
- the legislative backed 1 % rent reductions for four years from 1 April 2016
 - the encouraging of right to buy (RTB) by increasing RTB discounts; and
 - the introduction of Universal Credit and Benefit Cap
 - the introduction of net zero carbon targets
 - the increased requirements around Fire Safety following the introduction of the Fire Safety Act 2021
 - the new regulatory framework governing high-rise buildings via the Building Safety Act 2022
 - and the introduction of a proactive consumer regulation framework following the introduction of the Social Housing Regulation Act 2023.
- 4.2.4 Any policies and legislation that goes through Parliament on Housing can impact on the supply of social and affordable housing which could have implications for the capital programme and the future provision of housing.
- 4.2.5 Concerned with the very high levels of inflation in 2022, the Government announced that rents for 2023-24 would be capped at 7%. The rent policy for 2024-25 has not been announced at the time of writing this report but it is widely anticipated that a Rent cap will not be imposed for next year and that the policy will revert to September CPI plus 1%.

- 4.2.6 Since the tragic fire at Grenfell Tower, building and fire safety has become a key national and political priority. The Building Safety Act came into force on 28 June 2022 and is the most important piece of building safety legislation in recent years. The Act introduces significant changes to building safety regulation, as recommended in the Hackitt Review, including a new, more stringent, regime for higher-risk buildings and a Building Safety Regulator.
- 4.2.7 Central Government has set a clear and challenging goal for the UK to meet net zero by 2050. The Council's long-term target for residents and businesses is Net Zero Northants 2045. The Council is committed to delivering new homes at high energy efficiency levels, to maintain and improve the number of existing homes at decent homes standard and to retrofit existing stock where possible. The housing sector has a huge role to play and challenge helping to meet this goal. Through the support of government funding, over 500 council homes which are expensive to heat and energy inefficient due to their age and the way they were built, are receiving improved insulation, ventilation, new windows and new heating systems.
- 4.2.8 The social housing sector has already invested in energy efficiency and new heating technology for many years resulting in social housing being more energy efficient on average than any other homes.
- 4.2.9 However, the scale of the challenge is very significant and will require a huge programme of work on an unprecedented scale. Additional funding in the future, will be required from central government towards improvements. The 'major works' investment programme may be able to be reprofiled to incorporate some works.
- 4.2.10 New Council house build and the use of one for one right to buy (RTB) receipts enables the Council to formulate a development plan for delivering new affordable homes. Alongside one for one RTB receipts, the Council is working with Homes England to see what grant funding may be available for new delivery. It should be noted under current rules that grant funding of schemes cannot occur where one for one RTB receipts are applied. The new build programme is kept under constant review to ensure that it maximises HRA capacity, safeguards the use of one for one RTB receipts and, where there is a robust business case, enables the delivery of affordable housing.

4.3 Housing Strategy

- 4.3.1 The Council's Housing Strategy covering the whole WNC area sets out the strategic direction for new affordable housing delivery both by the council and by other partners. The West Northants Housing Strategy 2022-2025 was approved by Cabinet in September 2022. This strategy is built around four themes and their associated objectives:
- **Theme 1:** Deliver homes people need and can afford
 - **Theme 2:** Improve the quality, standard and safety of homes and housing services
 - **Theme 3:** Support residents to live healthy, safe, independent and active lives
 - **Theme 4:** Support thriving and sustainable communities
- 4.3.2 One of the objectives within the Housing Strategy is to formulate an affordable housing delivery plan, this will include the financial implications associated with it. This delivery plan will need to reflect the borrowing ambitions of the authority and the

consequential number of properties that will therefore be funded by the authority and those that will have to be funded by third party organisations. This delivery plan will be finalised in early 2024.

- 4.3.3 Right To Buy (RTB) sales have fallen significantly over the last year, despite discounts being available, mainly due we suspect, to the continuing cost of living crisis and high costs of mortgage repayments. The annual level of stock loss through RTB sales and future forecast RTB sales is set out in Graph 1 below:

Graph 1 Actual Right to Buy Sales



- 4.3.4 It can be seen from Graph 1, that whilst there was a drop in sales in 2020-21 due to the Covid 19 restrictions, the actual sales in 2021-22 were back to pre-pandemic levels. However, due to rising inflation and the increase in interest and mortgage rates, sales have fallen in 2023-24, with 33 sales completed to the end of October.

- 4.3.5 In April 2021 the Government announced further changes to the rules surrounding the use of RTB receipts. These include the extension of the timeframe for spending RTB receipts on replacement homes from 3 to 5 years, increasing the proportion of a replacement home that can be funded from 30% to 40% and extending the scope to include shared ownership and first homes.

- 4.3.6 The rules allow deductions from the gross receipt to determine the amount which must be spent on the 1-4-1 replacement of housing stock. These are restricted receipts and must be used within 5 years. Set out in Table 1a is the estimated number of restricted receipts which will be received and used over the medium-term financial plan, (MTFP)

Table 1a Restricted RTB Receipts for 1-4-1 Replacement of Dwellings

Description	Estimate 2024-25 £,000	Estimate 2025-26 £,000	Estimate 2026-27 £,000	Estimate 2027-28 £,000	Estimate 2028-29 £,000
Receipts Brought Forward 1st April	(9,722)	(1,219)	0	0	0
Receipts Received in Year	(3,910)	(4,443)	(4,986)	(5,539)	(5,595)
Receipts used in year	12,413	5,661	4,986	5,540	5,594
Receipts Carried Forward 31st March	(1,219)	0	0	0	0

4.3.7 It can be seen from Table 1a that the proposed growth in the capital programme will result in all the restricted receipts being used by the end of 2025-26. This will mean that for subsequent years the council will only be able to use the receipt generated in the year which will impact on the size of the new build programme and the HRA, unless it can secure Homes England grant for specific future projects or the actual sales exceed forecast numbers.

4.3.8 The unrestricted element of the RTB receipts can be used for any capital purpose, but primarily used to fund the investment in existing stock and set out in Table 1b is an estimate of the capital receipts available to fund the housing capital programme. As it can be seen from the table all the receipts received are planned to be used in year.

Table 1b Unrestricted RTB Receipts to finance any capital expenditure

Description	Estimate 2024-25 £,000	Estimate 2025-26 £,000	Estimate 2026-27 £,000	Estimate 2027-28 £,000	Estimate 2028-29 £,000
Receipts Brought Forward 1st April	0	0	0	0	0
Receipts Received in Year	(1,441)	(1,785)	(2,136)	(2,493)	(2,530)
Receipts used to finance CAPEX	1,441	1,785	2,136	2,493	2,530
Receipts Carried Forward 31st March	0	0	0	0	0

4.4 HRA Revenue 2023-24 P7

4.4.1 The HRA is reporting a balanced 2023-24 position against the original budget as at P7. The revenue position includes a shortfall in rental income and service charges of £0.35m mainly due to new build properties coming online slower than expected, which is offset in the main by reductions in borrowing costs due to the major scheme rephasing, and an improved bad debt position. Despite increase in demand pressures in repairs and maintenance NPH are forecasting to manage those within budget. A full report of the current year HRA position is considered elsewhere on this agenda.

4.5 HRA Draft Budget 2024-25

4.5.1 The proposed draft budget provides the necessary resources to deliver HRA services for the next financial.

- 4.5.2 There are several rules surrounding what can be charged to this account and much of the income and expenditure is dictated by legislation. The HRA estimates proposed for 2024-25 reflect the Council's latest financial assumptions. This is set out in Table 2.

Table 2 HRA Budget Summary

Description	Budget 2023-24	Draft budget 2024-25	Movement
	£000's	£000's	£000's
Income			
Dwelling Rents	(57,181)	(61,070)	(3,889)
Non-Dwelling Rents	(1,094)	(1,178)	(84)
Other Charges for Services	(2,906)	(3,142)	(236)
Contribution To Expenditure	(9)	(9)	(1)
Total Income	(61,190)	(65,400)	(4,210)
Expenditure			
Repairs & Maintenance	17,964	19,195	1,231
General Management	10,629	11,096	468
Special Services	6,089	6,098	9
Rents, Rates, Taxes	302	342	40
Provision for Bad Debts	400	409	9
Total Expenditure	35,384	37,140	1,756
Net Costs of Services	(25,806)	(28,260)	(2,454)
Net Recharges from the General Fund	2,820	2,947	127
Interest & Financing Costs	8,770	9,786	1,016
Depreciation	13,699	14,000	301
Revenue Contributions to Capital	517	0	(517)
Voluntary Repayment Contributions	0	1,528	1,528
Net Contribution (from)/to Reserves	0	0	0
Deficit/(Surplus)	(0)	(0)	0

Changes from 2023-24 Budget

Dwelling Rents

- 4.5.3 Rental income is the largest single budget within the HRA and is calculated in accordance with national rent policy. The Rent Standard was introduced on the 1 April 2020 and applies to all registered social landlords including local authorities and housing associations.
- 4.5.4 The Rent Standard 2023 allows all registered providers to increase both social and affordable rent by the Consumer Price Index (CPI) plus 1%. The CPI is that published by the Office of National Statistics in the September prior to the year of the increase. At the time of writing this report there has been no formal direction from Government on the policy for next year, so as directed in last year's statement we assume we revert to September CPI which was 6.7 plus 1% which is an average rent of 7.7%.

- 4.5.5 The rent increase does not equate to a straight 7.7% increase on the 2023-24 budget because of a number of factors including actual start of year stock position changes on estimate, forecast RTB sales, forecast acquisitions and completions. This has a damping effect on the estimate for 2024-25.
- 4.5.6 Social rents are calculated in accordance with an agreed formula prescribed in the Rent Standard. The formula rent considers such factors as the national average rent, the relative earnings for Northamptonshire, the number of bedrooms and the relative property value. The council operates a policy so that where current rents are below formula rent the rents are moved to formula rent when the property is relet. Last year's rent cap created a divergence from formula rents for all of the council's stock, with formula rents increasing at an average of 11.1%, compared to actual rents increasing at the lower 7% cap. Actual rents will therefore catch up with formula rents over a much longer period without government policy changes.
- 4.5.7 The increase in dwelling rents is essential to ensure the continuing investment in high-quality housing service for our tenants. Failure to increase the rents by the statutory amount will not only have a significant impact on income in the current year but also in each year going forward. It is estimated that a 1% reduction in the rent increase would reduce the rental income by approximately £0.6m in the current year. This potential loss of 1% would be compounded over the life of the 40-year HRA business plan resulting in approximately £40m reduction in revenues to reinvest into the stock over the business planning period.
- 4.5.8 Vulnerable tenants would be offered protection through the welfare system with increases in welfare announced by government in the autumn statement as matching Septembers CPI of 6.7%.

Garage Rents

- 4.5.9 The HRA manages and maintains a total of 2,038 garages as at 1 April 2023. It is proposed to increase garage rents and the commuter surcharge on garages by 7.7%. This will increase the average rent per garage from £10.96 to £11.80 and the commuter surcharge from £17.41 to £18.75 per week respectively. This proposed increase has been reflected in the draft budget.

Service Charges

- 4.5.10 The schedule of draft service charges for 2024-25 is set out in Appendix 5. The level of service charges should be set to enable the full recovery of the costs of providing the service. It is proposed that general service charges are increased by 7.7% in line with CPI at September 2023 plus 1%. The additional service charge income has been reflected in the draft budget position.

Repairs and Maintenance

- 4.5.11 The revenue repairs and maintenance budget represents the costs of responsive and cyclical maintenance programs. These are determined both with current service levels and the latest stock condition survey information. All responsive and cyclical maintenance is delivered by NPH, and these costs are reflected in their proposed management fee. NPH have reported increasing costs of repairs, and maintenance

therefore a budgetary increase has been applied including increases in repair demand and a one-off growth to deliver the second half of a comprehensive stock condition survey. These are reflected in the growth proposals in Appendix 2 of £1.23m.

Supervision and Management

- 4.5.12 The total housing stock is also managed on behalf of the Council by NPH. This includes the delivery of special services such as caretaking, cleaning, and grounds maintenance. The costs of managing the properties, tenant's liaison and the delivery of special services are all contained in the NPH management fee.

Welfare Reform, Rent Arrears and Bad Debt Provision

- 4.5.13 Universal Credit (UC) and other welfare support is available to people who are on a low income or are out of work. It aims to make the welfare system simpler by replacing six benefits and tax credits with a single monthly payment. New claims to legacy benefits are now closed and the migration of existing benefits in the West Northamptonshire area will commence with Tax Credit claims from January 2024. The migration will continue throughout 2024. The Council will continue to administer claims for those people of working age in Temporary and supported accommodation.
- 4.5.14 The Council continues to monitor closely the impact of welfare reforms which will have an impact on rent collection for the Council and therefore impact on the overall HRA position. The level of arrears and required level of bad debt provision will continue to be monitored, but the latest estimates show that due to proactive arrears management the forecast rent arrears continue to rise but at a much lower rate than previously anticipated. It is anticipated that any 2023-24 underspend on the hardship fund will be rolled forward into 2024-25 at year end to ensure that vulnerable tenants are further supported into next year because of the current challenging economic climate.

Interest and Capital Financing Costs

- 4.5.15 It is estimated that the interest and capital financing costs charged to the HRA in 2024-25, will be £9.78m. This reflects the move to Self-financing in 2012 where Northampton Borough Council (NBC), under the Government's directive, took on the debt for its stock as calculated by the Self- Financing Determinations and also the continued investment into new council housing.
- 4.5.16 The debt is subject to close management with rigorous monitoring to ensure that the financial position for the HRA is optimised.

5. NPH Management Agreement and Fee 2024/25

5.1 Management Agreement

- 5.1.1 The HRA is the Council's statutory account for the provision of landlord services, The Council pays NPH a contractual management fee to provide those services, which is charged to the HRA. In addition, NPH receive a fee for the provision of Housing General Fund (HGF) services for £423k which is paid from the General Fund.

5.1.2 The NPH Management Agreement provides for the contractual payment, which will comprise of the majority of HRA budgets including the capital programme, repairs and maintenance and other operational budgets. The capital programme (Improvement programme) and the repairs and maintenance budgets are managed budgets, whilst the operational budgets are devolved budgets.

5.2 Draft NPH Management Fee 2024/25

5.2.1 The development of the proposed 2024-25 draft management fee has been discussed in partnership with NPH, and considers the economic drivers, legislative requirements, demand levels, current level of budgets and the changes in available funding. NPH have been working with the Council to ensure that a balanced budget can be achieved while trying to mitigate the impact on services.

5.2.2 It should be noted that further work with NPH is ongoing and the HRA Business Plan is to be updated and will inform the medium-term forecasts. This includes any further government announcements. The draft NPH fee will be formerly confirmed by the NPH Board at its meeting scheduled in February 2024. Table 3 shows a summary of the draft 2024-25 Total Fee proposed. A more detailed breakdown can be found in Appendix 4 including indicative figures for the medium term.

Table 3 NPH Management Fee

Description	Budget 2023-24 £,000	Draft Budget 2024-25 £,000	Movement £,000
Management - HRA (including Special Services)	16,712	18,200	1,489
Maintenance - Managed Budget Responsive	12,385	13,118	733
Maintenance - Managed Budget Cyclical	3,699	3,918	219
Management - General Fund Housing	382	423	41
Total Revenue (including General Fund element)	33,177	35,659	2,482
Capital - Managed Budget Improvement to Homes	54,790	44,005	(10,785)
Capital - Managed Budget Improvement to Environment	2,815	-	(2,815)
Capital - Managed Budget ICT	470	335	(135)
Total Capital	58,075	44,340	(13,735)
Total Management Fee	91,253	79,999	(11,254)

- 5.2.3 Included in the above table is a request from NPH for an additional £2.441 m of HRA budget to fund additional budget pressures of £2.98m, offset by £0.54m efficiencies as set out in Appendix 2. The budget pressures are mainly due to regulatory compliance requirements, the effect of inflationary pressures and increase in demand on repairs and maintenance services.
- 5.2.4 The capital programme movement reflects the re-phasing of capital schemes over the medium-term capital programme, mainly being new build scheme delivery slippage.
- 5.2.5 Prior to the final HRA budget being approved in February 2024 the Council will continue to work on the draft budgets and the medium-term financial plan. Medium term planning pressures and any emerging pressures and savings will need to be built into NPH future budget plans.
- 5.2.6 The Executive Director of Finance will recommend the final Management Fee as part of the final budget submission to Cabinet and Council in February 2024.

6 HRA Reserves and Minimum level of Working Balances

6.1 HRA Reserves

- 6.1.1 It is prudent to set aside funds into specific HRA reserves to finance future HRA expenditure including revenue and capital financing.
- 6.1.2 Table 4 shows the estimated balance of reserves at the end of 2024-25 together with the estimated movement during the year. It is estimated that during the year there will be no contribution to reserves. At this stage it is not envisaged that any of the reserves will be used to finance any shortfalls of resources. It should be noted that the reserve balances are still provisional at this stage until such time as the Statement of Accounts for 2021-22 and 2022-23 are signed off by audit and therefore are subject to change.

Table 4 Provisional HRA Reserves

Reserves	Provisional Balance 01/04/2024 £'000	Received in Year £'000	Applied in Year £'000	Balance 31/03/2025 £'000
HRA Service Improvement Reserve	(650)	0	100	(550)
Total HRA Reserves	(650)	0	100	(550)
Working Balances	(6,000)	0	0	(6,000)
Total HRA Reserves	(6,650)	0	100	(6,550)

- 6.1.3 These reserves can be drawn down as required, to finance the future strategic requirements of the service, and will be subject to change as forecasts of funding are updated. These reserves can only be used for the HRA.

6.2 Estimated Minimum level of Working Balances

- 6.2.1 A prudent level of working balance, along with appropriate application of reserves, should be part of the overall budget. Section 25 of the Local Government Act 2003 places a duty of the Section 151 Officer to report on the adequacy of reserves.
- 6.2.2 The Executive Director of Finance will review the level of balances required to support the HRA spend annually as part of the formulation of the budget. The view of the Executive Director of Finance is that the HRA minimum balance should remain at the current level of £5m for 2024/25. Therefore the latest reserve position means we are holding £1m above the minimum level in working balances.

7 Capital Strategy

- 7.1 The aim of the Capital Strategy is to provide a clear framework for capital funding and expenditure decisions in the context of the Council's vision, values, objectives and priorities, financial resources and spending plans. The overall strategy is being refreshed and will be part of the budget setting documentation that is considered by the full Council in February 2024.

8 HRA Capital Programme

- 8.1 The HRA is an asset driven service and capital expenditure is essential to maintain and improve housing stock as well as delivering new affordable housing. Capital expenditure is a key part of the delivery of a high-quality housing service.

Borrowing In the HRA

- 8.2 In October 2018 the Chancellor announced in his budget the removal of the cap on HRA prudential borrowing. This was to enable local authorities to deliver more affordable homes.
- 8.3 The HRA currently has an agreed Capital Programme that has been recast for the draft budget to incorporate the indicative latest NPH work to update the asset management plan based on a desktop exercise. A comprehensive stock condition survey is being carried out in the current year and first half of 2024-25 which can better inform, the NPH delivery plan, future investment requirements in net zero and stock improvement, and the funding required to finance the programme including level of borrowing affordable by the HRA. It is expected that the stock condition survey work will inform a further recast of the capital programme at various stages of the delivery of this work next year.
- 8.4 The new build programme is kept under constant review to ensure that it maximizes HRA capacity, safeguards the use of one for one RTB receipts and, where there is a robust business case, enables the delivery of affordable housing. This programme is also leveraging in grant funding from Homes England to support some of the new build projects. It should be noted under current rules that grant funding of schemes cannot occur where one for one RTB receipts are applied.

HRA Capital Programme 2023-24

- 8.5 The position for 2023-24 reflects the latest in year delivery position forecast, (Period 7), by NPH on the following areas, Major Repairs and Improvements, Environmental Works, Disabled Adaptations and New build and acquisitions. The Council manages the Buybacks and Acquisitions budgets with NPH managing the rest of the capital programme. This is shown in Table 5 below.
- 8.6 In year emerging new requirements under Fire Safety regulations 2022 have been identified for building in scope (those over 11m in height) where potential combustible/flammable cladding is identified this must be removed and/or replaced. NPH are working through a programme of inspections. This initial remedial work to remove non-compliant cladding has been funded from existing programme within the current year for £1.3m.
- 8.7 The new build programme has been subject to a review by the council and NPH resulting in a re-phasing of a few of the significant sized new build projects which include Berkeley and St Mary's, Belgrave House and Avenue Campus.
- 8.8 The Acquisitions budget includes Local Authority Housing Fund (LAHF) and Rough Sleepers Accommodation Programme (RSAP)/Next Steps Accommodation Programme (NSAP) schemes which are currently scheduled to complete in 2023-24. The budget for the medium-term plan for general acquisitions has also been reduced to reflect the current forecasting of available one for one receipts. This budget over the medium term can be increased as and when new financially sustainable schemes are brought forward on a case-by-case basis.

HRA Draft Capital Programme 2024-25

- 8.9 NPH are carrying out Stock Condition Surveys to all homes within the next twelve months. This is to ensure we comply with the Regulator for Social Housing requirements, the Government's 'Decent Homes Standards' and Health and Safety Regulations. The information from these stock condition surveys once completed will inform budget setting for 2025-26.
- 8.10 Set out in Table 5 is a summary of the latest forecast for 2023-24 and the proposed draft capital programme for 2024-25.

Table 5 HRA Capital Programme Changes since P7 Budget 2023/24

Description	Period 7 Budget 2023-24 £,000	Draft Budget 2024-25 £,000	Movement £,000
External Improvements/Structure Works	25,252	6,984	(18,268)
Energy Efficiency Measures - Net Zero	5,000	-	(5,000)
Internal Works	1,899	10,551	8,652
Disabled Adaptations	2,309	2,300	(9)
Windows	-	86	86
IT Development	353	335	(18)
New Build Programme/Major Projects	16,089	24,083	7,995
Buybacks and Spot Purchases	17,002	10,000	(7,002)
Total Capital Expenditure	67,904	54,340	(13,564)
Capital Financing			
Major Repairs Reserve/Depreciation	(13,699)	(14,000)	(301)
Capital Receipts - (non - restriction)	(734)	(1,441)	(707)
Capital Receipts - RTB 1-4-1	(7,311)	(12,413)	(5,102)
Grant Funding	(9,885)	(806)	9,080
Revenue/Earmarked Reserve	(491)	(1,528)	(1,037)
Borrowing / CFR	(35,783)	(24,153)	11,631
Total Capital Financing	(67,904)	(54,340)	13,564

Proposed Capital Investment

- 8.11 The draft budget reflects ongoing investment in new council housing to deliver existing committed schemes and new proposed pipeline schemes over the medium term. This investment, as well as delivering new council houses, enables the council to fulfil its agreement with Treasury with regards to spending retained one for one right to buy receipts on additional affordable housing.
- 8.12 The One for one RTB receipts can fund up to 40% of a new build scheme with the balance of funding taken up by borrowing. Where schemes qualify the Council bids for grant funding from Homes England and other bodies to substitute use of one for one right to buy receipts. Borrowing would increase if more investment in new build properties is undertaken in future years. The capital finance requirement in the current year is forecast to be at £290m.
- 8.13 The capital programme has a direct impact on the revenue position of the HRA because the cost of borrowing is reflected in the capital financing charges that are charged to the revenue account. In addition, the funding of the capital programme depends on a direct contribution from revenue.

Fire Safety Investment

- 8.14 The Fire Safety Regulations 2022 made it a legal requirement from 23 January 2023 for responsible persons of high-rise residential buildings in England to provide their local

fire and rescue service with information about the design and materials of the building's external walls and to inform their local fire and rescue service of any material changes to them. Following a fire risk assessment of external wall structures for those properties over 11 metres in height it is necessary to invest in removing some materials in the current financial year and this work costing £1.3m will be completed before Christmas.

- 8.15 The council will need to make a decision then within 12 months to plan whether to replace removed materials and deliver on a number of other improvement works on the identified blocks to ensure safety and compliance with the regulations.
- 8.16 The costs of the solutions and options on recladding is not currently known and therefore not included in the draft capital programme. The options and costings will be brought back to council next year and business case brought forward. It is worth noting that these works are outside of the 2012 financing settlement for HRA's and are likely to require additional funding.

Decarbonisation Investment

- 8.17 Although the focus of the Capital Programme is to maintain and improve the Council's homes as part of that there is an increased focus on providing low carbon sustainable homes.
- 8.18 Built into the current year budget and 2024-25 proposed budget External Improvements programme is some investment in decarbonisation. Successful funding bids, through the governments Social Housing Decarbonisation Fund (SHDF) has enabled the scope of planned investment programme to be optimised into a whole retrofit programme for a selection of over 500 properties across the Demonstrator and SHDF Wave 1 and 2 schemes. The current Wave 2 programme is due to finish in 2024-25.
- 8.19 The SHDF scheme, grant funded by the Department of Energy Security and Net Zero (DESNZ), previously known as Department of Business, Energy, and Industrial Strategy (BEIS), has seen the Council in conjunction with NPH, receive grant funding in excess of £9m to deliver these schemes. The most recent bid for SHDF Wave 2 was successful and brought in £1.2m of funding to support the retrofit of a further 101 council properties.
- 8.20 As part of the successful bids the Council, as the grant recipient has entered into a Memorandum of Understanding (MOU) with BEIS. The MoU sets out conditions that the council must adhere to when it accepts the grant, including what the grant may be used for and the reporting requirements.
- 8.21 The Council, in conjunction with NPH has also attracted a small amount of Green Homes Grant (LAD2) funding for a mixture of air source heat pumps and solar PV package of works.
- 8.22 NPH will be working with the Council to establish the indicative estimate of the investment required now to achieve zero carbon for the councils housing stock. This financial modelling will be informed by detailed work on housing stock condition that is currently underway. It is worth noting that these works are outside of the 2012 financing settlement for HRA's and are likely to required additional funding.

9 Consultation and Communications

9.1 Consultation will commence on 13 December, the day after Cabinet has considered the draft budget proposals, and will be open for six weeks, closing on 23 January. The response to the budget consultation will be analysed and form part of the final budget report to Cabinet on 13th February 2024.

9.2 The proposals will also be considered by the Corporate Overview and Scrutiny Committee who will also provide their views and comments to Cabinet before they consider the final budget for recommendation to Full Council in February.

9.3 Throughout this timeline and at all key stages of the process, consultation arrangements will be extensively promoted across a broad range of communications channels to ensure public awareness and encourage participation in the process.**10 Choices (Options)**

10.1 Cabinet are requested to approve for consultation the draft budget proposals for 2024-25 for the HRA and the interim HRA Capital programme and **indicative** budgets for 2025-26 to 2028-29 as summarised in the appendices to this report for information.

10.2 Cabinet are requested to approve for consultation the proposed rent increase of 7.7% for 2024/25 and increases in service charges and garage rents of 7.7%.

11 Implications (including financial implications)

11.1 Resources and Risk

11.1.1 HRA budgets may be subject to further changes to reflect the Government's provisional settlement detail which is expected in late December and any relevant legislative developments and be further informed during the year with latest stock condition survey data which will inform all repairs and maintenance programmes.

11.1.2 The HRA 40 Year Business Plan for 2024-2025 onwards will continue to be reviewed and updated.

11.2 Legal

11.2.1 The Council has a legal duty to set a balanced budget each year, bearing in mind its fiduciary duties to the taxpayer, and the HRA is not allowed to go into deficit by law. In exercising these duties, the Council must comply with various legislation and administrative duties.

11.3 Equality and Health

11.3.1 The Public Sector Equality Duty (PSED) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out its activities. Failure to comply with this duty would be challengeable in the courts.

11.3.2 Equality impact assessments are 'living' documents and relevant feedback from the consultation process will be considered with any mitigations to limit its impact implemented alongside the final options taken forward and approved in February 2023.

12 Environmental implications (including climate change issues)

- 12.1 Potential environmental impacts, especially with regard to climate change, were considered as part of each of the medium-term planning options submitted. They seek to mitigate and manage environmental impact.
- 12.2 Northamptonshire Partnership Homes ('NPH') has a Sustainability Strategy underpinned by One Planet Living Principles which are being embedded into its entire operation.
- 12.3 NPH is integrating sustainability and biodiversity into both its new build programme and neighbourhood investment. Examples include:
- Reviewing waste strategies for new build schemes both in construction and in occupation once completed
 - Installing renewable energy into many of the new build housing schemes such as photovoltaic panels at Oak Tree Rise supported housing scheme and air source heat pumps in the Moray Lodge supported housing scheme.
 - Inclusion of electric vehicle charging points in new build schemes and reviewing feasibility in existing apartment schemes.
 - Building fabric works to improve thermal efficiency such as installing/topping up loft insulation, internal and external wall insulation, and cavity wall insulation
 - Creating secure bicycle storage for tenants living in apartment blocks as part of the wider neighbourhood investment.
 - Installation of bat boxes, bug hotels and swift boxes in new build schemes. Retrofit schemes work closely with ecologists to protect and support existing wildlife.
 - Installation of LED lighting in communal areas of existing apartment blocks and in new build schemes
 - Providing opportunities for tenants in apartments to grow their own food through the installation of raised beds and water butts in communal gardens.
 - Delivering 'fabric first' deep retrofit on traditional solid wall properties with government funding from the Social Housing Decarbonisation Fund. The retrofit model results in significant decarbonisation through upgrades to energy efficiency and installation of renewable energy.
 - Promote energy and water saving campaigns such as Big Energy Saving Week, and working with charities such as Better Homes Better Health to support residents to save energy

13. Background Papers

None