

WEST NORTHAMPTONSHIRE COUNCIL CABINET

21st DECEMBER 2021

**CABINET MEMBER WITH RESPONSIBILITY FOR HOUSING, CULTURE AND
LEISURE– COUNCILLOR ADAM BROWN**

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| Report Title | Draft Housing Revenue Account (HRA) Budget 2022/23 |
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1. Purpose

- 1.1 The purpose of this report is to present for consultation the draft HRA budget for 2022/23, including the forecast rent increases.
- 1.2 To note the forecast HRA budgets up to 2026/2027 including the HRA Capital Programme and financing proposals.
- 1.3 To note the draft new build capital programme that is expected to deliver up to 1,000 new council homes over the next 5 years.

- 1.4 To approve for consultation the draft 2022/23 Management Fee proposals for Northampton Partnership Homes (NPH) based on the draft budget.

2. Recommendations

It is recommended that the Cabinet:

- 2.1 approves for consultation the draft HRA budget as detailed in appendices 1 and 4 for public consultation.
- 2.2 approves for consultation the 4.1% (£3.84) increase in average rents from £93.66 to £97.50 per week in accordance with the government's Rent Standard with effect from the 4th April 2022.
- 2.3 approves for consultation the draft HRA Capital Programme and financing, as detailed in appendix 2 and notes the forecast programme from 2023/24 to 2026/27.
- 2.4 approves for consultation the 3.1% increase in tenants and leaseholder service charges with effect from the 4th April 2022 as set out in Appendix 3.
- 2.5 note the draft Total Fees proposed for NPH in appendix 4 to deliver the services in scope.
- 2.6 That cabinet note the bid that the Council has made in partnership with NPH for the Wave 1 of the Social Housing Decarbonisation fund for £6.08m and approve delegated authority to the Executive Director of Finance to enter into a funding agreement with the Department of Business, Energy, and Industrial Strategy (BEIS) if successful in the bid process.

3. Reasons for the Recommendations

- 3.1 The HRA reflects the statutory requirement under Section 74 of the Housing and Local Government Act 1989 to account separately for local housing services. It is a ring-fenced account which records the cost of managing the Council's housing stock. These costs are offset by tenants' rents, tenants/leaseholders' services charges and other contributions. The Council has a statutory duty to set a balanced HRA and avoid going into deficit.

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. 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), Northampton Partnership Homes (NPH). This report provides the updated financial position and indicative total fee for NPH for 2022/23 to provide the services in scope.

4.1.2 It should be noted that the total fee for NPH in 2022/23 will be subject to approval of the HRA and General Fund Budgets by Council at its meeting in February

4.1.3 The Council has a statutory responsibility for the HRA and will therefore retain management of the HRA. NPH, as part of their responsibilities, will provide the Council with information on its activities and advice on how best to make use of the resources within the HRA.

4.2 Economic Context

4.2.1 There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's withdrawal from the European Union and the Covid pandemic. Therefore, the draft budget is built on prudent assumptions around inflation, interest rates, the continuing strong demand for housing and the impact of high numbers of instances of homelessness.

National and Local Policy

4.2.2 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.

4.2.3 More recently the Government has pledged to spend an additional £2bn on affordable housing and a new policy came into effect from 1 April 2020 for future rent increases from 2020/21 with increases to be capped at CPI plus 1% for 5 years.

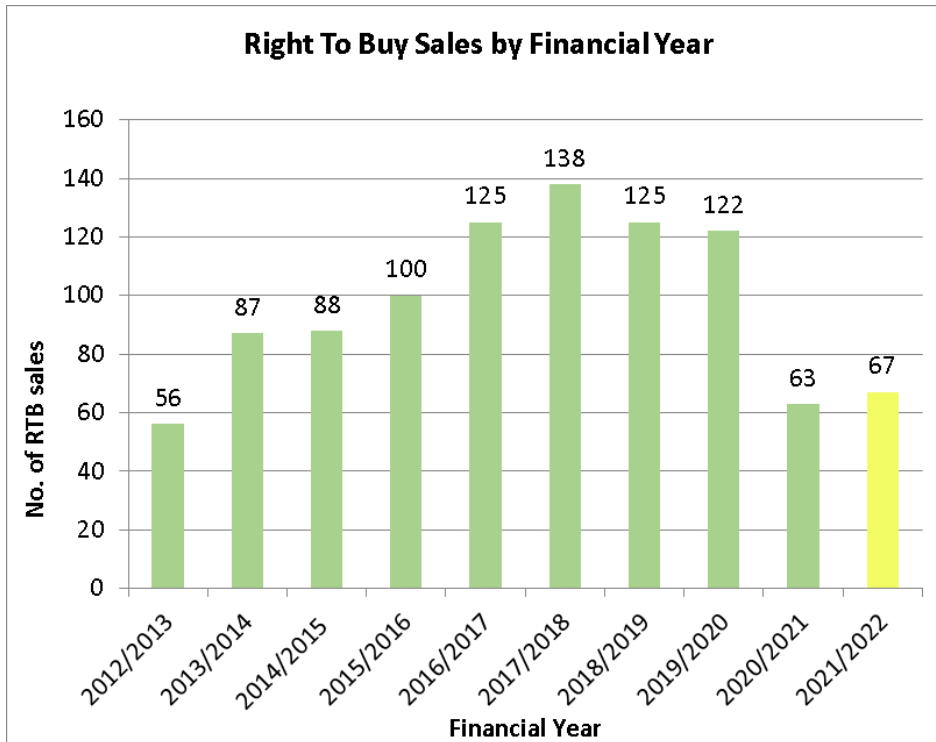
4.2.4 Since the tragic fire at Grenfell Tower, building and fire safety has become a key national and political priority. The Building Safety Bill is the most important piece of building safety legislation in recent years. The Bill was published in early July 2021 and began its progress through Parliament. The Bill will introduce 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.

4.2.5 The financial impact of the Building Safety Bill is unclear at the moment including:

- who will pay for remedial building safety work,
- the increase in building works; and
- costs and what service enhancements may be required to ensure residents are safe and feel safe.

It is anticipated that greater clarity will emerge on this throughout the year.

- 4.2.6 Central Government has set a clear and challenging goal for the UK to meet net zero by 2050. The housing sector has a huge role to play in meeting this goal, but it means we need to eliminate virtually all emissions from homes.
- 4.2.7 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.
- 4.2.8 However, the scale of the challenge is very significant and will require a huge programme of work of an unprecedented scale. There is currently and probably will be in the future some level of financial support from central government towards improvements. The 'major works' investment may be able to be reprofiled to incorporate some works. However, it may be necessary to raise a significant amount in borrowing to cover the costs
- 4.2.9 New Council house build and the use of one for one right to buy (RTB) receipts enables NPH to work closely with the Council on a 10-year development plan for delivering new affordable homes. The Council's Housing Strategy covering the whole WNC area will be a key driver as to how this new build programme will be developed and delivered going forward. 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.
- 4.2.10 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
- 4.2.11 Right to Buy (RTB) sales continue to be relatively high due to the increase in discount levels introduced from April 2012. The level of stock loss through RTB sales is set out in the graph 1 below.



4.2.12 It can be seen from graph1 that whilst there was a drop in sales in 2020/21 due to the Covid 19 restrictions the forecast sales in 2021/22 are expected to be back to pre-pandemic levels with 67 sales in the year already completed up to the end of October.

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

4.2.14 These assumptions and the changes to the flexibilities have been built into the indicative HRA capital programme set out in Appendix 2. However, increased RTB sales, give rise to additional pressure on the revenue budget due to the loss of rental income.

Borrowing In the HRA

4.2.15 In October 2018 the Chancellor announced in his budget the removal of the HRA cap on prudential borrowing. This was to enable local authorities to deliver more affordable homes. The MTFP provides investment in new build for delivery of approximately 1,000 new council homes over the 5 years (up to 200 per annum), with increased investment being mainly funded via an increase in HRA borrowing.

4.2.16 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.

4.3 Housing Strategy

4.3.1 As a new council, WNC has identified a key piece of work for 2021/22 through engagement with key stakeholders to produce a new, evidence-based housing strategy. The strategy is currently being developed and should be finalised by end of March 2022. Key considerations will be:

- the scale and focus of the council house building programme as part of a wider affordable housing delivery programme to meet local housing needs
- improving the quality, standard and safety of housing in West Northants. For our council homes this is likely to include meeting any enhanced Decent Homes Standard, decarbonisation and building safety requirements.
- supporting our residents and communities to recover from the impact of the pandemic and work to create sustainable homes and vibrant places to live
- how we continue to improve services for our tenants
- reducing homelessness and supporting these and other vulnerable households to lead safe, independent and active lives

4.4 Revised HRA Budget 2021/22

4.4.1 In September, Cabinet approved the Quarter 1 re-phasing of the HRA capital programme 2021/22. Included in the re-phasing were several new build schemes which were due to be completed and let this year. It is therefore, anticipated that because of this delay the rent income will be £0.5 million less than originally budgeted.

4.4.2 Apart from the reduction in rental income, it is not anticipated that there will be any other significant variations in the revised HRA budget 2021/22. However, in the current economic climate with inflation increasing it is inevitable that there will be further budget pressures, and these will be reported in due course.

4.5 HRA Draft Budget 2022/23

4.5.1 The draft budget is drawn from the draft service plans and draft interim Housing Strategy as laid out in paragraph 4.3. Set out in Appendix 1 is the draft HRA Budget for 2022/23 and MTFP. 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 2022/23 reflect the Council's current policies and assumptions set out in the HRA 30-year business plan and are summarised in Table 1 below:

Table 1 Housing Revenue Account Budget Summary

| Description | Budget 2021/22 | Draft Budget 2022/23 |
|--------------------------------------|-------------------|----------------------------|
| | £'000 | £'000 |
| Total Income | (54,735) | (56,452) |
| EXPENDITURE | | |
| Repairs and Maintenance | 13,954 | 14,892 |
| General Management | 8,959 | 9,391 |
| Special Services | 4,854 | 5,277 |
| Rents, Rates, Taxes & Other Charges | 302 | 302 |
| Increase in Bad Debt Provision | 400 | 400 |
| Total Expenditure | 28,469 | 30,263 |
| Continuation Budget | (26,266) | (26,190) |
| Net Recharges from the General Fund | 2,650 | 2,650 |
| Interest & Financing Costs | 7,672 | 8,802 |
| Revenue Contributions to Capital | 1,806 | 1,238 |
| Depreciation | 13,500 | 13,500 |
| Contribution to / (from) Reserves | 639 | 0 |
| Remaining Deficit / (Surplus) | 0 | 0 |

Dwelling Rents

- 4.5.2 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 1st April 2020 and applies to all registered social landlords including local authorities and housing associations
- 4.5.3 The Rent Standard 2021 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. The CPI in September 2021 was 3.1% and therefore it is proposed to increase the rents by the maximum 4.1% with effect from 4th April 2022. This will increase the average rent from £93.66 to £97.50 per week
- 4.5.4 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.
- 4.5.5 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 £0.5 million in the current year. This potential loss of 1% would be compounded over the life of the 30-year HRA business plan resulting in approximately £15m reduction in revenues to reinvest into the stock over the business planning period.

Garage Rents

- 4.5.6 The HRA manages and maintains a total of 2,045 garages at 1 April 2021. It is proposed to increase garage rents and the commuter surcharge on garages by 3.1%. This will increase the average rent per garage from £9.66 to £9.96 and the commuter surcharge from £15.35 to £15.83 per week respectively. This proposed increase has been reflected in the draft budget.

Service Charges

- 4.5.7 The schedule of draft service charges for 2022/23 is set out in Appendix 3. 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 3.1% in line with CPI at September 2021. The additional service charge income has been reflected in the draft budget.
- 4.5.8 A key feature in the calculation of service charges is that tenants and leaseholders pay the actual cost of providing the service. Initially tenants and leaseholders pay for services based on the estimated costs. Then when the final costs are known an adjustment is made to their accounts.

Repairs and Maintenance

- 4.5.9 The revenue repairs and maintenance budget represents the costs of responsive and cyclical maintenance programmes. 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 the costs are reflected in the management fee.

Supervision and Management

- 4.5.10 The total housing stock is 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

- 4.5.11 Universal Credit (UC) and other welfare reform 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 benefit claims will follow, expected to be completed by March 2022.

- 4.5.12 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 closely but the latest estimates show that due to proactive arrears management the forecast rent arrear continues to rise but at a much lower rate than previously anticipated.

Interest and Capital Financing Costs

- 4.5.13 It is estimated that the interest and capital financing costs charged to the HRA in 2022/23, will be £8.8m. 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.
- 4.5.14 NBC took advantage of the preferential rates provided to Councils at that time from the Public Works Loans Board (PWLB) to borrow £193m. The debt is subject to close management with rigorous monitoring to ensure that the financial position for the HRA is optimised.
- 4.5.15 The draft budget also reflects a significant increase in prudential borrowing to fund the ambitious new build programme and it is forecast to increase as more borrowing is taken on in future years. The additional borrowing requirement is financed through the revenue account and is subject to constant review to ensure the HRA is financially sustainable. The draft budgeted Capital charges and interest costs are £8.8m rising to £11.1m over the MTFP.

5. NPH Management Agreement and Fee 2022/23

5.1 Management Agreement

- 5.1.1 The HRA is the Council's statutory account for the provision of landlord services, This account pays NPH a contractual payment ("Total Fee") to provide those services. In addition, NPH receive a fee for the provision of Housing General Fund (HGF) services for £281k which is paid from the General Fund.
- 5.1.2 The NPH Management Agreement provides for the contractual payment, referred to as the "Total Fee" 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 2022/23

- 5.2.1 The 2022/23 Draft “Total Fee” has been discussed and negotiated in partnership with NPH, and takes into account the economic drivers, legislative requirements, 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 between Draft budget and Final which could lead to changes. This includes any further government announcements, and a full refresh for the HRA 30 year business plan. The draft NPH fee will be formerly confirmed by the NPH Board at its meeting scheduled in February 2022. Table 2 below shows a summary of the draft 2022/23 Total Fee proposed. A more detailed breakdown can be found in Appendix 4.

Table 2 Draft NPH Total Fee 2022/23

| NPH Management Fee | 2022/23 £'000s |
|---|---------------------------|
| Management - HRA | 15,276 |
| Management - General Fund Housing | 281 |
| Maintenance - Responsive & Cyclical (Managed Budget) | 13,312 |
| Capital - Improvements to Homes (Managed Budget) | 66,826 |
| Capital - Improvement to Environment (Managed Budget) | 2,625 |
| Capital - Managed Budget ICT | 496 |
| Total Fee | 98,816 |

- 5.2.3 Included in the above table is a request from NPH for an additional £1.726 m to fund additional budget pressures, mainly as a result of the effect of inflationary pressures in general plus real increases in costs for materials and labour where repairs and maintenance work are subcontracted. £255k of the above relates to increase in ‘special services’ due to new stock coming on stream but will be recoverable through service charges.
- 5.2.4 The funding pressures for 2022/2023 have been managed jointly by WNC and NPH, working together to maximise resources out of current budgets and minimising, where possible, any re-phasing of the capital programme.
- 5.2.5 Prior to the final HRA budget being approved in February 2022 the Council will continue to work closely with NPH in relation to 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 approve the final Management Fee as part of the final budget submission to Cabinet and Council in February 2022.

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 capital financing, risks of leaseholder claims, service improvements, and an insurance reserve. The use of the capital reserve is incorporated into the capital programme financing considerations included later in this report.

6.1.2 Table 3 below shows the estimated balance of reserves at the start of 2022/23 together with the estimated movement during the year. It can be seen from the table that due to current budget pressures and investments it is not anticipated that there will be any increase in the reserves carried forward. Similarly, at this stage it is not envisaged that any of the reserves will be used to finance any shortfalls.

Table 3 Summary of HRA Earmarked Reserves and Working Balances

| Reserves | Balance B/F 01/04/2022 | Earmarked in Year | Applied in Year | Balance C/f 31/03/2023 |
|--------------------------------------|-----------------------------------|------------------------------|----------------------------|-----------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| HRA Reserves | (150) | 0 | 0 | (150) |
| Revenue Reserve | (617) | 0 | 0 | (617) |
| HRA Leaseholder Reserve | (500) | 0 | 0 | (500) |
| HRA Service Improvement Reserve | (950) | 0 | 0 | (950) |
| ERP Agresso Reserve | (50) | 0 | 0 | (50) |
| HRA Insurance Reserve | (300) | 0 | 0 | (300) |
| Total HRA Reserves | (2,567) | 0 | 0 | (2,567) |
| Min Level of Working Balances | (5,000) | 0 | 0 | (5,000) |
| Total HRA Reserves | (7,567) | 0 | 0 | (7,567) |

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 balance should remain at the current level of £5m for 2022/23.
- 6.2.3 The current level is the minimum designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year. Further work is ongoing, taking into account the government's latest budget, to assess the level of working balances in conjunction with NPH and any changes will be reported to Council in February 2022.

7 Capital Strategy

- 7.1.1 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 has been refreshed and will be part of the budget setting documentation that is considered by the full Council on 24 February 2022.

8 HRA Capital Programme

- 8.1.1 The HRA is an asset driven service and capital expenditure is essential in order to maintain and improve housing stock as well as delivering new affordable housing. Capital expenditure is a key part to the delivery of a high-quality housing service.
- 8.1.2 In partnership with NPH the Council has adopted the "Northampton Standard" for the maintenance and improvement of housing stock. The higher standard has associated costs which are built into the capital programme.
- 8.1.2 Included in the capital programme is a significant investment in providing new affordable homes. This is in addition to the previous investment and means that the Council is on schedule to deliver a steady stream of up to 1,000 new Council dwellings over the next five years. The ability to invest reflects the decision to remove the HRA debt cap and the ability to prudentially borrow to finance affordable schemes.
- 8.2 HRA Capital Programme 2021/22**
- 8.2.1 In September, Cabinet approved the Quarter 1 re-phasing of the 2021/22 HRA capital programme. Included in the re-phasing were several new build schemes which were due to be completed and let this year. This re-phasing was due mainly to the restrictions



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imposed due to the pandemic, material shortages problems in the supply chain and inflationary pressures. These schemes will be rolled forward into 2022/23

8.3 HRA Draft Capital Programme 2022/23

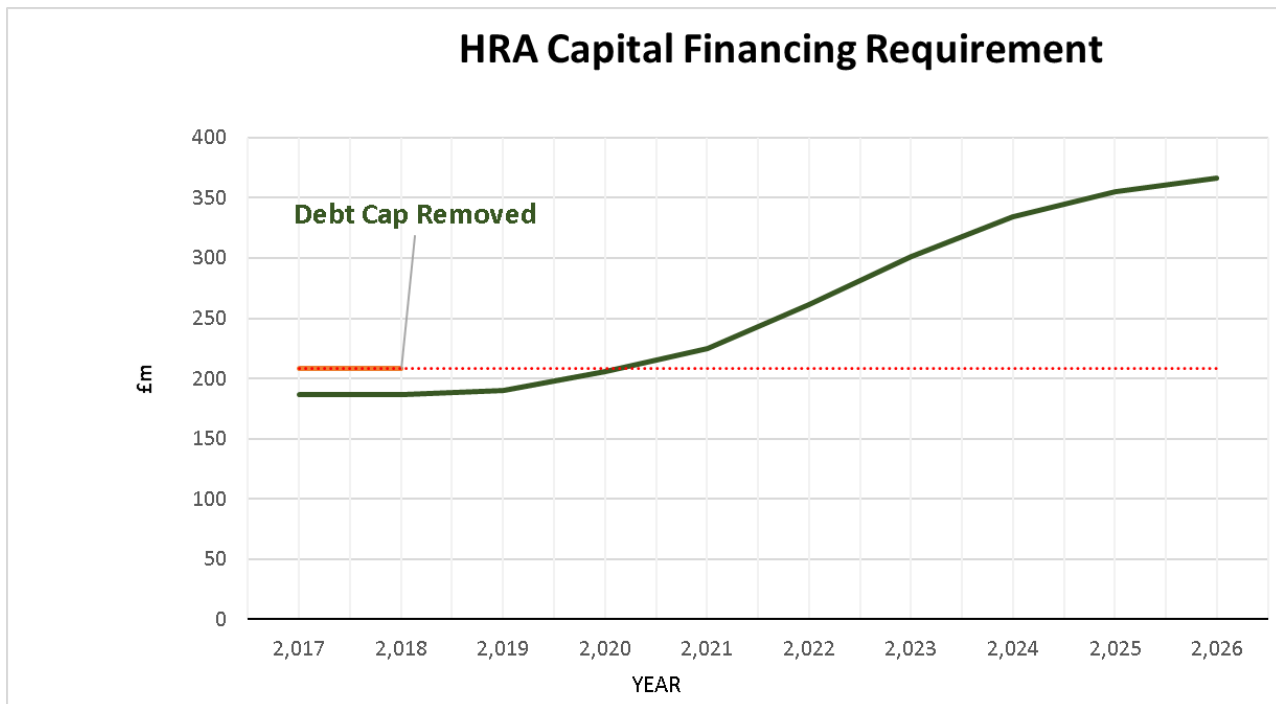
8.3.1 Set out in Table 4 is summary of the HRA Draft capital programme for 2021/22 and 2022/23.

Table 4 HRA Capital Programme 2021/22 and proposed 2022/23

| Programme | Forecast 2021-22 £,000 | Draft Budget 2022-23 £,000 |
|---------------------------------------|---------------------------------------|---|
| External Improvements | 21,863 | 17,232 |
| Internal Works | 2,300 | 2,565 |
| Structural Works and Compliance | 480 | 450 |
| Disabled Adaptations | 1,039 | 1,500 |
| Environmental Improvements | 2,752 | 2,625 |
| IT Development | 331 | 496 |
| New Build Programme/Major Projects | 30,175 | 45,080 |
| Buybacks and Spot Purchases | 11,621 | 500 |
| Total | 70,561 | 70,447 |
| FINANCING: | | |
| Major Repairs Reserve/Depreciation | 13,500 | 13,500 |
| Capital Receipts - RTB (excl 1-4-1) | 3,192 | 3,192 |
| Capital Receipts - RTB 1-4-1 Receipts | 2,600 | 3,100 |
| Capital Receipts - Grant Funding | 11,830 | 11,408 |
| Revenue/Earmarked Reserve | 1,806 | 1,238 |
| Borrowing / CFR | 37,633 | 38,009 |
| Total Financing - HRA | 70,561 | 70,447 |

8.3.2 The HRA capital programme has been developed within the context of the Asset Management Plan and the 30-year HRA Business Plan. The HRA business plan will be refreshed between draft and final budget based on the latest stock condition data and the new build programme. Any changes to the current programme will be reported to Council in February 2022.

8.3.2 The draft budget reflects a significant increase in prudential borrowing as depicted in the graph below: to fund the ambitious new build programme and it is forecast to increase as more borrowing is taken on in future years. The capital finance requirement in the current year is forecast to be at £261m at 31st March 2022 rising to £377m at the end of 2026/27 based on the current MTFP.



8.3.3 The draft capital programme provides for a significant investment to the New Build and Major works for 2022/2023, reflecting the ability to prudentially borrow within the HRA, use of RTB receipts and leveraging in of grant funding from Homes England, and decarbonisation funding from government. The need to borrow is likely to be reduced by further successful grant bidding processes over the MTFP that are currently not known.

8.3.4 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 contribution from revenue earmarked reserves.

8.4 Investment in Decarbonisation

8.4.1 Although the focus of the Capital Programme is to maintain and improve the Council's homes, there is also a focus on environmental improvements and an increased focus on providing low carbon sustainable homes.

8.4.2 Built into the current year budget and 2022/23 proposed budget external improvements programme is a significant investment in decarbonisation. The Council in conjunction with NPH is taking part in 2021/22 in a £3 million pilot scheme which is grant funded by the Department of Business, Energy, and Industrial Strategy (BEIS). The £3m Social Housing Decarbonisation Fund (SHDF) pilot grant funding is subsidising a whole house retrofit programme to solid wall council homes in Kingsthorpe, Kingsley and Abington.

- 8.4.3 The Government has pledged nationally £3.8bn over 10 years of which £170m is to be made available in 'wave one'. The Council has bid for a further £6.08 million grant funding to deliver wave one of the scheme.
- 8.4.4 A decision on whether the council's bid has been successful is expected in December 2021. If successful the Council will need to enter into a Memorandum of Understanding (MoU) and associated documents with the Department for Business, Energy and Industrial Strategy (BEIS) in order to receive the funding.
- 8.4.5 The MoU sets out conditions that the council must adhere to if it accepts the grant, including what the grant may be used for and the reporting requirements. If successful in the bid there would be a requirement to 'bring forward' of c£5.3m of External Improvement expenditure, whilst at the same time seeing a re-phasing of new build housing schemes into later years due to the delay in delivery on a number of projects. This has an impact on the financial position of the HRA as the rephasing of new build housing to later years also pushes back the revenue income streams from rents which help to service the borrowing costs.
- 8.4.6 The rephasing of the capital programme is reflected in the current year budget forecasting and the draft budget and MTFP capital programme. Further work will be carried out with NPH to assess total impact through refresh of the 30 Year HRA business plan and will be fed into the final budget report for February 2022.
- 8.4.7 Cabinet are asked to support the signing of the agreement between the Council and BEIS if awarded the bid.
- 8.4.8 The SHDF funding for BEIS cannot as a rule be mixed with other forms of Grant funding however BEIS have agreed that a discrete (and complimentary) package of works can be funded alongside each other. As such the Council is bidding with NPH for Green Homes Grant (LAD2) funding for the air source heat pump package of works. This bid is smaller scale being for just 40 properties and approximately £200k and is for those tenants that have agreed to trial air source heat pumps as part of the demonstrator/pilot programme. The LAD2 funding is complex and involves other stakeholders so is not guaranteed. As a result this has not been built into the draft budget for 2022/23.

9 Consultation

- 9.1.1 This cabinet meeting starts the Formal consultation with the public and stakeholders including local businesses and will continue for six weeks. Subject to any changes made following consideration of the consultation feedback and any further Government announcements on the latest financial position. Cabinet will consider the final budget for 2022-23 on 15 February 2022 for recommendation to the full Council meeting on 24 February 2022.

10 Choices (Options)

10.1.1 Cabinet are requested to approve for consultation the draft budget proposals for 2022/23 for the HRA and HRA Capital programme and indicative budgets for 2023/24 to 2026/27 as summarised in the appendices to this report for information.

10.1.2 Cabinet are requested to approve for consultation the proposed rent increase of 4.1% for 2022/23 and increases in service charges and garage rents of 3.1%.

11 Implications (including financial implications)

11.1 Policy

11.1.1 The HRA revenue budget is set in the overall context of the HRA 30 year business plan.

11.1.2 The Capital Programme for the HRA is set in the context of the Council's HRA 30 year Business Plan.

11.2 Resources and Risk

11.2.1 HRA budgets may be subject to further changes to reflect the Government's provisional settlement detail which is expected in mid-December and any housing White Papers.

11.2.2 The HRA 30 Year Business Plan for 2022/2023 will be built and will be subject to external review to assess for accuracy and robustness, the result of which could require revisions to the HRA Capital programme. This will be reported on and reflected in the final budget report.

11.3 Legal

11.3.1 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.

11.4 Equality and Health

11.4.1 The Public Sector Equality Duty (PSED) requires the shadow authority 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.

11.4.2 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 2022.

12 Environmental implications (including climate change issues)

12.1.1 Any potentially negative environmental impacts, especially with regard to climate change issues, were considered as part of each of the medium-term planning options submitted. They seek to avoid any negative environmental impact.

12.1.2 Northampton Partnership Homes ('NPH') has a published Sustainability Strategy underpinned by One Planet Living Principles which are being embedded into its entire operation.

12.1.3 NPH is proactively bidding for inward investment opportunities such as the Social Housing Decarbonisation Funding (SHDF) secured in 2021 from BEIS.

12.1.4 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 car charging points in new build schemes and reviewing feasibility in existing apartment schemes.
- Installing loft insulation (where it is absent) and internal insulation and where this is not possible external wall insulation as part of the internal works programme to properties
- 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.
- 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.
- Piloting new 'fabric first' approaches to whole house retrofit on solid wall properties
- Promoting energy and water monitoring

13. Background Papers
