

WEST NORTHAMPTONSHIRE COUNCIL CABINET

20 DECEMBER 2022

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

Report Title	Draft Housing Revenue Account (HRA) Budget 2023/24 and Medium Term Financial Plan
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1. Purpose

- 1.1 The purpose of this report is to present for consultation the draft HRA revenue budget for 2023-24, including the forecast rent increases, and the draft HRA Capital Programme 2023-28.
- 1.2 To approve for consultation the draft 2023-24 Management Fee proposals for Northampton Partnership Homes (NPH) based on the draft 2023-24 budget proposals.

2. Recommendations

It is recommended that the Cabinet:

- 2.1 approves for the draft HRA budget 2023-24
- 2.2 approves for consultation the 7% (£6.79) increase in average rents from £97.00 to £103.79 per week in accordance with the government's amended Rent Standard with effect from the 3rd April 2023.
- 2.3 approves for consultation the draft HRA Capital Programme and financing for 2023/24, as detailed in appendix 3 and notes the forecast programme from 2024/25 to 2027/28.
- 2.4 approves for consultation the 10% increase in tenants and leaseholder service charges with effect from the 3rd April 2023 as set out in Appendix 5
- 2.5. approves for consultation the 10% increase in garage rents and commuter surcharges with effect from the 3rd April 2023 as set out in Appendix 5
- 2.6 note the draft 2023-24 Total Fees proposed for NPH in appendix 4 to deliver the services in scope.
- 2.7 note that the Council has made an application in partnership with NPH for Wave 2 of the Social Housing Decarbonisation fund for £1.28m 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.
- 2.8 approves for consultation the setting up of a new hardship/ management contingent budget within general management to provide help for tenants facing difficulties arising from energy and food poverty.

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 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 total fee for NPH for 2023-24 to provide the services in scope.

- 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 2023-24 will be subject to approval of the HRA and General Fund budgets by full Council at its meeting in February 2023.

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 impact of the war in Ukraine and the consequent high energy and food prices, the ongoing fallout from the Covid pandemic and the UK's withdrawal from the European Union. 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.

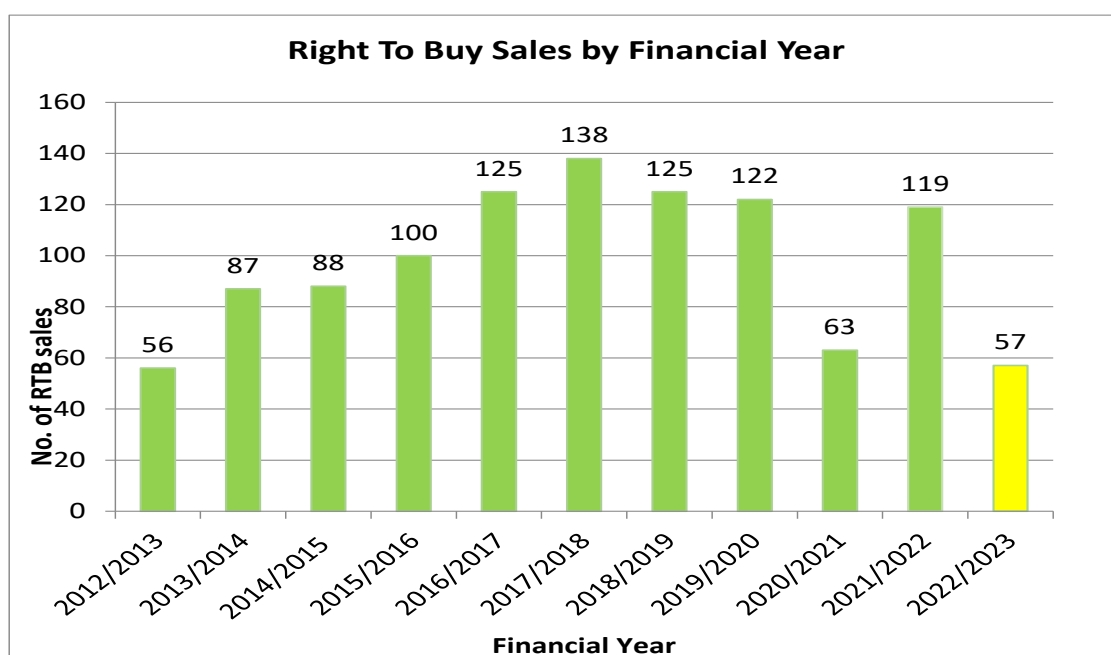
National and Local Policy

- 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 The Levelling-up and Regeneration Bill currently going through Parliament provides changes which will impact on the supply of social and affordable housing. These could have implications for the capital programme and the future provision of housing.
- 4.2.4 Concerned with the very high levels of inflation in 2022, the Government went out to consultation in August to make a temporary amendment to the CPI plus 1% Rent Setting policy. The Government initially proposed a 5% cap on rents, but also asked providers of social housing to consider 3% and 7% caps.
- 4.2.5 On the 17 November 2022 the Chancellor announced in the Autumn Statement that rents for social and affordable housing would be capped at 7%.
- 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 is Net Zero Northants 2045. We are committed to delivering new homes at high energy efficiency levels, to maintaining and improving the number of existing homes at decent homes standard and to retrofitting existing stock. 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 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.
- 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 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.
- 4.2.10 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 RTB sales continue to be relatively high due to the increase in discount levels introduced from April 2012. However, the recent increases in mortgage interest rates have seen a reduction in sales. The annual level of stock loss through RTB sales is set out in Graph 1, over the page.

Graph 1 Actual Right To Buy Sales



4.2.12 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 the third quarter of 2022-23, with 57 sales completed.

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 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.

4.2.14 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

Desceiption	Estimate 2023-24 £,000	Estimate 2024-25 £,000	Estimate 2025-26 £,000	Estimate 2026-27 £,000	Estimate 2027-28 £,000
Receipts Brought Forward 1st April	(9,615)	(3,354)	0	0	0
Receipts Received in Year	(3,507)	(3,542)	(3,577)	(3,613)	(3,649)
Receipts used to finance New Dwellings	9,768	6,896	3,577	3,613	3,649
Receipts Carried Forwad 31st March	(3,354)	0	0	0	0

4.2.15 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 2024-25. 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 new build programme and the HRA, unless it can secure Homes England grant for specific future projects.

- 4.2.16 The unrestricted element of the RTB receipts can be used for any capital purpose 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 2023-24 £,000	Estimate 2024-25 £,000	Estimate 2025-26 £,000	Estimate 2026-27 £,000	Estimate 2027-28 £,000
Receipts Brought Forward 1st April	0	0	0	0	0
Receipts Received in Year	(2,487)	(2,524)	(2,561)	(2,599)	(2,637)
Receipts used to finance CAPEX	2,487	2,524	2,561	2,599	2,637
Receipts Carried Forward 31st March	0	0	0	0	0

Borrowing In the HRA

- 4.2.17 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.
- 4.2.18 The HRA currently has an agreed Capital Programme and whilst proposals have been submitted to amend and increase that capital programme going forward it has been determined that the preferred approach is to 'cash freeze' the current capital programme until a wider piece of work has been carried out on the delivery plan for the Housing Strategy and how that aligns with the borrowing expectations of the authority. When this piece of work has been completed the capital programme will be re-cast to reflect the outcome of it.
- 4.2.19 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 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 The housing strategy is a high-level document, which forms one of the cornerstones for delivering our Corporate Plan 2021-2025. It sets out the main housing related issues and how we plan to deliver our key themes and objectives. Underpinning the strategy is the importance of partnership working and without this we will not be able to tackle

the big challenges that lie ahead. The Council will create the leadership and conditions needed for this to happen.

- 4.3.3 It is important to recognise that a delivery plan needs to be developed for the implementation of the Housing Strategy which 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.

4.4 HRA Revenue and Capital Position 2022-23

- 4.4.1 In September, Cabinet approved the Quarter 1 re-phasing of the HRA capital programme 2022-23. 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 £0.6 million less than originally budgeted in the current year.
- 4.4.2 However, the re-phasing of the capital programme has resulted in significantly lower borrowing in 2022-23. The reduction in borrowing has reduced capital financing charges to the revenue account by £1.4 m. The savings in capital financing charges has been partly offset by £0.6m lower rent income and a £0.5m increase in the cost of repairs and maintenance due to a skills shortage and difficulties with the supply chain. A full report of the current year HRA position is considered elsewhere on this agenda.

4.5 HRA Draft Budget 2023-24

- 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 2023-24 reflect the Council's latest financial assumptions. This is set out in Table 2.

Table 2 HRA Budget Summary 2023/24

Description	Budget 2022/23 £,000	Draft Budget 2023/24 £,000	Movement £,000
Income			
Rents - Dwellings	(53,050)	(56,188)	(3,137)
Rents - Non Dwellings	(951)	(1,094)	(143)
Service Charges	(2,435)	(3,372)	(938)
Other Income	(16)	(9)	8
Total Income	(56,452)	(60,663)	(4,211)
Expenditure			
Repairs and Maintenance	14,892	17,953	3,061
General Management	9,391	10,808	1,417
Special Services	5,277	6,086	808
Rents, Rates, Taxes & Other Charges	302	302	-
Increase in Bad Debt Provision	400	400	-
Total Expenditure	30,263	35,549	5,286
Net Cost of Services	(26,190)	(25,114)	1,076
Net Recharges from the General Fund	2,650	2,650	-
Interest & Financing Costs	8,802	7,273	(1,529)
Revenue Contributions to Capital	1,238	1,492	254
Depreciation	13,500	13,699	199
Contribution to / (from) Reserves	0	0	0
Deficit/(Surplus)	0	0	0

Changes from 2022-23 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 1st April 2020 and applies to all registered social landlords including local authorities and housing associations.
- 4.5.4 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. Due to the high levels of inflation this year the Government went out to consultation in August to temporary amend the CPI plus 1% policy. In the Autumn Statement, the Chancellor announced that rents would be capped at 7%.
- 4.5.5 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.

- 4.5.6 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 £0.5m 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 £34m reduction in revenues to reinvest into the stock over the business planning period.
- 4.5.7 The CPI in September 2022 was 10.1% and had the rent increase not been capped at 7%, rents could have increased up to 11.1%. The reduction of 4.1% in the rent increase represents a significant shortfall in income to the HRA, when compared to the comparative cost inflation, and especially when compounded over the 40-year life of the Business Plan.
- 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 10.1%.

Garage Rents

- 4.5.9 The HRA manages and maintains a total of 2,072 garages at 1 April 2022. It is proposed to increase garage rents and the commuter surcharge on garages by 10%. This will increase the average rent per garage from £9.96 to £10.96 and the commuter surcharge from £15.83 to £17.41 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 2023/24 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 10% in line with CPI at September 2022. The additional service charge income has been reflected in the draft budget position.
- 4.5.11 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

- 4.5.12 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 these costs are reflected in the management fee. The increasing costs of repairs and maintenance are reflected in the growth proposals in Appendix 2.

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.
- 4.5.13 The management costs also include a budget to help tenants who are experiencing energy and food poverty during this time of high inflation. The arrangement for supporting tenants who are facing difficulties will be confirmed in the new year.

Welfare Reform, Rent Arrears and Bad Debt Provision

- 4.5.14 Universal Credit (UC) and other welfare support is available to people who are on a low incomes 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 the end of 2024.
- 4.5.15 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. However, because of the current challenging economic climate, this report proposes the creation of a hardship fund financed from revenue which will be administered to provide support to the most vulnerable where appropriate.

Interest and Capital Financing Costs

- 4.5.16 It is estimated that the interest and capital financing costs charged to the HRA in 2023-24, will be £7.4m. 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.
- 4.5.17 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.

5. NPH Management Agreement and Fee 2023/24

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 ("Total 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 £382k 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 2023/24

- 5.2.1 The proposed 2023-24 draft “Total Fee” has been discussed 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 and will inform the final budget and medium-term forecasts, which will lead to changes. This includes any further government announcements. The draft NPH fee will be formerly confirmed by the NPH Board at its meeting scheduled in February 2023. Table 3 shows a summary of the draft 2023-24 Total Fee proposed. A more detailed breakdown can be found in Appendix 4.

Table 3 NPH Management Fee

Description	Budget 2022/23 £,000	Draft Budget 2023/24 £,000	Movement £,000
Management - HRA (including Special Services)	15,276	16,882	1,606
Management - GF Housing	281	382	101
Maintenance - Managed Budget Responsive	10,250	12,385	2,135
Maintenance - Managed Budget Cyclical	3,062	3,699	637
Capital - Managed Budget Improvement to Homes	66,826	54,780	(12,046)
Capital - Managed Budget Improvement to Environment	2,625	2,815	190
Capital - Managed Budget ICT	496	480	(16)
Total Management Fee	98,816	91,423	(7,393)

- 5.2.3 Included in the above table is a request from NPH for an additional £4.378 m to fund additional budget pressures, as set out in appendix 2, mainly because of the effect of inflationary pressures, plus real increases in costs for materials and labour where repairs and maintenance works are subcontracted. £729k of the above relates to increase in ‘special services’ due to higher energy costs but will be recoverable through service charges.
- 5.2.4 Prior to the final HRA budget being approved in February 2023 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.
- 5.2.5 The Executive Director of Finance will recommend the final Management Fee as part of the final budget submission to Cabinet and Council in February 2023.

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 4 shows the estimated balance of reserves at the end of 2023-24 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 legacy Statement of Accounts for 2020-21 are signed off by audit and therefore are subject to change.

Table 4 Provisional HRA Reserves

Reserves	Provisional Balance 01/04/2023 £'000	Received in Year £'000	Applied in Year £'000	Balance 31/03/2024 £'000
HRA General Reserve	(502)	0	0	(502)
HRA Leaseholder Reserve	(500)	0	0	(500)
HRA Service Improvement Reserve	(900)	0	0	(900)
ERP Agresso Reserve	(50)	0	0	(50)
HRA Insurance Reserve	(300)	0	0	(300)
Total HRA Reserves	(2,252)	0	0	(2,252)
Min Level of Working Balances	(5,000)	0	0	(5,000)
Total HRA Reserves	(7,252)	0	0	(7,252)

- 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 2023/24.
- 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 Autumn Statement, to assess

the level of working balances in conjunction with NPH and any changes will be reported to Council in February 2023.

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 has been refreshed and will be part of the budget setting documentation that is considered by the full Council in February 2023.

8 HRA Capital Programme

HRA Capital Programme

- 8.1 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 of the delivery of a high-quality housing service.
- 8.2 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.
- 8.3 In the current financial year the Council approved a revised Housing Strategy. A delivery plan now needs to be worked on to understand the potential impact on the Housing Revenue Account and therefore the Council's finances. This must include the impact on borrowing for the authority and the level to which any additional borrowing is supported.
- 8.4 Until this work has been completed it is proposed that the current capital programme that is in operation is 'cash frozen' and not increased until this additional work has been carried out and can be factored into a revised capital programme.
- 8.5 As a result, the capital programme set out within this report should be viewed as an 'interim' capital programme which could be amended substantially in the year once the Housing Strategy has been developed into a delivery plan and aligns with the borrowing intentions of the authority.

HRA Capital Programme 2022-23

- 8.6 In September 2022, Cabinet approved the Quarter 1 re-phasing of the 2022-23 HRA capital programme. Included within 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 design and planning constraints along with material shortages. These schemes will be rolled forward into 2023-24.

HRA Draft Capital Programme 2023/24

- 8.7 As described earlier the re-phased Capital Programme will be cash frozen until the work has taken place on the Housing Strategy in conjunction with the borrowing intentions of the authority to be able to properly re-cast the capital programme.

- 8.8 The cash frozen position for 2023-24 reflects the latest in year delivery position forecast 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 Spot Purchases budgets with NPH managing the rest of the capital programme.
- 8.9 Set out in Table 5 is a summary of the latest forecast for 2022-23 and the proposed draft capital programme for 2023-24.

Table 5 HRA Capital Programme 2023/24

Description	Period 7 Budget 2022/23 £,000	Draft Budget 2023/24 £,000	Movement £,000
External Improvements	16,806	21,610	4,805
Internal Works	2,466	2,134	(332)
Structural Works and Compliance	858	461	(397)
Disabled Adaptations	1,500	1,285	(215)
Environmental Improvements	2,890	2,815	(75)
IT Development	409	480	71
New Build Programme/Major Projects	14,807	29,291	14,484
Buybacks and Spot Purchases	4,409	11,250	6,841
- Capital Programme Freeze Adjustments		(7,885)	(7,885)
Total Capital Expenditure	44,144	61,440	17,296
Capital Financing			
Major Repairs Reserve/Depreciation	(13,500)	(13,699)	(199)
Capital Receipts - RTB (excl 1-4-1)	(2,735)	(2,487)	247
Capital Receipts - RTB 1-4-1	(3,480)	(9,768)	(6,288)
Grant Funding	(12,073)	(10,094)	1,979
Revenue/Earmarked Reserve	(1,238)	(1,492)	(255)
Borrowing / CFR	(11,119)	(23,900)	(12,781)
Total Capital Financing	(44,144)	(61,440)	(17,296)

Proposed Capital Investment

- 8.10 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. These new build schemes include the developments at Berkeley House, Derwent Drive and New Southbridge Road.
- 8.11 The 'one for one' right to buy 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 to substitute use of 'one for one' right to buy receipts. The need to borrow reflected in the MTFP is likely to be reduced by further

successful grant bidding processes over the MTFP that are currently not known. 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 £255m.

- 8.12 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.

Investment in Decarbonisation

- 8.13 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.
- 8.14 Built into the current year budget and 2023-24 proposed budget External Improvements programme is a significant investment in decarbonisation. Successful funding bids, through the government's Social Housing Decarbonisation Programme (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 two SHDF waves.
- 8.15 The SHDF scheme, grant funded by the Department of Business, Energy, and Industrial Strategy (BEIS), has seen the Council in conjunction with NPH, receive grant funding in excess of £9 million to deliver these schemes. A further bid for SHDF wave 2 has recently been submitted. If successful, this could bring in a further £1.2m of funding to support the retrofit of a further 100 council properties.
- 8.16 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.
- 8.17 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 complementary) package of works can be funded alongside each other. The Council, in conjunction with NPH has attracted grant funding of £180k through Green Homes Grant (LAD2) funding for a mixture of air source heat pumps and solar PV package of works on 36 council homes.

9 Consultation

- 9.1 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 2023-24 on 13 February 2023 for recommendation to the full Council meeting on 22 February 2023

10 Choices (Options)

- 10.1 Cabinet are requested to approve for consultation the draft budget proposals for 2023-24 for the HRA and the interim HRA Capital programme and indicative budgets for 2024-25 to 2027-28 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% for 2023/24 and increases in service charges and garage rents of 10%.

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 towards the end of December and any relevant legislative developments.
- 11.1.2 The HRA 40 Year Business Plan for 2023-2024 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 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.
- 12.2 Northampton Partnership Homes ('NPH') has a published Sustainability Strategy underpinned by One Planet Living Principles which are being embedded into its entire operation.
- 12.4 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

None