**Executive Board – 11 February 2025**

| | |
|---|---|
| **Subject:** | Housing Revenue Account (HRA) Business Plan 2025-2054<br>Medium Term Financial Plan (MTFP) 2025-2029<br>HRA Budget 2025/26 – including Rent Setting<br>Housing Capital Programme 2025/26-2028/29 |
| **Corporate Director(s)/Director(s):** | Nicki Jenkins, Interim Corporate Director for Growth & City Development<br>Stuart Fair, Interim Corporate Director of Finance & Resources |
| **Executive Member(s):** | Cllr Jay Hayes, Portfolio Holder for Housing<br>Cllr Linda, Woodings Portfolio Holder for Finance & Resources |
| **Report author and contact details:** | David Worthington, Interim HRA Accountant |
| **Other colleagues who have provided input:** | Clare Williams, Interim Director of Finance<br>Lucy Salim, Interim Assistant Director-Finance Business Partnering<br>Geoff Wharton, Consultant Strategic Director of Housing<br>Andrew Berry, Interim Strategic Finance Business Partner- Housing |

**Subject to call-in:** ☒ Yes ☐ No

**Key Decision:** ☒ Yes ☐ No

**Criteria for Key Decision:**

**(a)** ☒ Expenditure ☒ Income ☐ Savings of £750,000 or more taking into account the impact of the decision

**(b)** Significant impact on communities living or working in two or more wards in the city
☒ Yes ☐ No

**Type of expenditure:** ☒ Revenue ☒ Capital

If Capital, provide the date considered by Capital Board

Date: 22nd January 2025

**Total value of the decision:** See Recommendations

**Section 151 Officer expenditure approval**

Has the spend been approved by the Section 151 Officer? Yes ☐ No ☐ N/a ☒

Spend Control Board approval reference number:

**Commissioner Consideration**

Has this report been shared with the Commissioners' Office? Yes ☒ No ☐

Any comments the Commissioners wish to provide are listed below.

**Wards affected**: All

**Date of consultation with Executive Member(s):**

**Relevant Council Plan Key Outcome:**

| | |
|---|---|
| Green, Clean and Connected Communities | ☐ |
| Keeping Nottingham Working | ☐ |
| Carbon Neutral by 2028 | ☒ |
| Safer Nottingham | ☐ |
| Child-Friendly Nottingham | ☒ |
| Living Well in our Communities | ☒ |
| Keeping Nottingham Moving | ☐ |
| Improve the City Centre | ☐ |
| Better Housing | ☒ |
| Serving People Well | ☒ |

**Summary of issues (including benefits to citizens/service users):**

The report provides the Executive Board with

- An update on key economic indicators and forecasts
- An overview of key developments in national and local housing policy
- The draft HRA Budget 2025/26 including rent setting proposals
- The draft 4-year HRA Medium Term Financial Plan (MTFP)
- The current 30-year HRA Business Plan 2025-2054
- The proposed Housing capital programme 2025/26 – 2028/29

**Does this report contain any information that is exempt from publication - No**

**Recommendations:**

**1 To recommend that Full Council approve the following:**

**(a) An average 2.7% rent increase per dwelling in line with the Government's current rent policy with effect from 7th April 2025.**

**(b) An average 2% increase in tenants and service charges with effect from 7th April 2025 and the fees and charges schedule in Appendix 3.**

**(c) A 5% increase in garage rents with effect from Monday 7th April 2025**

**(d) The £9.540m in revenue growth proposal in 2025/26 as set out in Appendix 1 noting that over the life of the MTFP the net increase is £5.891m**

**(e) The £3.657m in planned capital growth for new-build schemes in 2025/26 as set out in Table 10 noting that over the life of the MTFP total costs of £10.257m**

**(f) The £16.665m in planned capital growth for other projects in 2025/26 as set out in Table 11 noting that over the life of the MTFP total cost is £45.924m**

**(g) The £94.981m capital programme for 2025/26 as set out in Appendix 2 and noting that over the life of the MTFP the total programme is £281.497m**

**(h) The setting of a £12.000m minimum working balance.**

## 1. Reasons for recommendations

1.1 The Housing Revenue Account (HRA) is a landlord account and records all income and expenditure relating to the Councils housing stock. It is requirement of the Local Government and Housing Act 1989 (the 1989 Act) that the account is ring-fenced from the General Fund and remains in balance using its reserves. All HRA expenditure is financed by rents and service charges and increases are necessary to ensure the long-term stability of the account.

1.2 Capital expenditure is required to replace stock sold under Right to Buy as well as continue the investment to ensure that the existing stock remains in good repair and complies with all new decent homes and regulatory legislation.

1.3 Section 25 of the Local Government Act 2003 places a duty on the Section 151 Officer to report on the adequacy of general and earmarked reserves including the minimum working balance

## 2. Background

2.1 In July 2024 the Government pledged to build 1.5 million new affordable homes over the life of the Parliament. Accompanying this pledge were the immediate changes to the rules governing the use of Right to Buy (RTB) restricted receipts along with consultations on future Rent Policy and additional restrictions to the RTB qualifying periods. Both consultations ended in December and the outcome is still to be published.

2.2 On the 30th of October 2024, the Chancellor of Exchequer, announced changes to the RTB entitlement for tenants wishing to buy their own home. With effect from the 21st of November 2024 the maximum discount that a tenant in the East Midlands could receive was reduced from £0.102m to £0.024m. Following this announcement 1,303 applications were received before the deadline. These changes will impact on the future funding of the capital programme.

2.3 On the 29 November 2023 the former Section 151 Officer issued a report to all Councillors under section 114 (3) of the Local Government Finance Act 1988 (The 1988 Act). This was followed by a period where all expenditure had to be approved by the Spending Approval Board. These restrictions were relaxed in October 2024.

2.4 The HRA, is a ring-fenced part of the General Fund and records the transaction of the Council's landlord's function. Local housing authorities are required by Section 74 of the Local Government & Housing Act 1989 to keep an HRA. The HRA reflects the statutory obligations to account separately for local authority housing provision. It identifies the major elements of HRA expenditure and how it is funded from rents and service charges.

2.5 This report presents the updated 30-year HRA Business Plan. It provides an overview of the financial planning that supports the management and operation of the portfolio of 24,604 homes and other commercial assets owned by the Council's HRA. This covers both revenue and capital spending plans and therefore incorporates the Council's Housing strategy and Asset Management Plan (AMP).

2.6 The 30-year business plan provides the strategic financial planning which drives the MTFP and the 2025/26 HRA Budget and capital programme. The plans and budget proposals ensure the Council is continuing to invest in existing HRA stock incorporating the safety and decarbonisation agenda to become carbon neutral.

2.7 The business plan, MTFP and 2025/26 budget have been prepared using the best financial information available incorporating prudent estimates and financial assumptions. It addresses the risk of continuing high energy costs and other inflationary pressures whilst providing the opportunity to set a balanced budget.

2.8 The operational management and maintenance of the housing stock returned to the City Council on 1st April 2023 after being managed by an Arm's Length Management Organisation, Nottingham City Homes, for the previous 17 years. All budgets are now managed in-house, and staff TUPE'd back to the Council

## 3. National and Economic Context

3.1. In July 2024 the Government announced the following changes to the use of restricted RTB capital receipts:

- For 2024/25 and 2025/26 only, acquisitions and new build projects can be financed 100% from restricted RTB receipts

- Section 106 Contributions can now be used in conjunction with restricted RTB receipts to fund newbuild projects and acquisitions

- The annual cap on acquisitions has been removed for 2024/25 and 2025/26

3.2. On the 30th of October 2024 the new Chancellor made the following announcements in the budget which relate to the HRA:

- Rent Settlement – a consultation on rent settlement ended on 23rd December 2024 which seeks views on a rent settlement for 5 years from 1 April 2026. The proposal that was consulted on is that over the period rents will increase a maximum of Consumer Price Index, (September preceding year), plus 1%, in line with current policy. The outcome of the consultation is not yet known.

- Returning RTB discounts to pre-2012 levels with effect from 21st November 2024, extension to allow RTB Treasury Share Payments to be kept by councils indefinitely. There is a commitment to further public consultation on a wider reform of RTB, which ended on the 23rd of December 2024. The outcome of the consultation is not yet known

- The Local Housing Allowance (LHA) Rates will be frozen on 1 April 2025 for at least one more year.

- Public Works Loans Board (PWLB) Loans – discount rates for specifically HRA borrowing are to be maintained until March 2026.

- Affordable Homes funding – additional £500m added to National Affordable Homes Funding in 2025-26.

## 4. HRA Business Plan – 2025/2026 to 2054/55

4.1. Preparing the 30 Year HRA Business Plan (the Business Plan) involves the assessment of the long-term financial implications of key strategic objectives. The assessment will include the impact of available funding to finance the capital programme as well as economic and other legislative changes.

4.2. The Business Plan is a high-level planning tool which provides the financial framework for formulating the MTFP and the annual budget. The Business Plan sets out the Council’s housing strategy in financial terms and contains the following key assumptions.

4.3. The Business Plan incorporates the Government’s announcement that for 2025/26 rents will increase by the September 2024 Consumer Price Index (CPI) plus 1%. In November 2024 the Government went out to consult on the proposed

Rent Standard for the five-year period beginning 2026/27. Consultation ended on 23rd December 2024 and the new Rent Standard will be incorporated into the Business Plan when it is known.

4.4. The Business Plan assumes that for all non-dwelling rents including garages will increase by 5.0% in 2025/26 and 5% in subsequent years.

4.5. The Business Plan assumes that the costs of all services provided to tenants and leaseholders will be fully recovered through service charges. It is assumed that in 2025/26 service charges for tenants will increase by an average 2% and by 2% for all subsequent years.

4.6. The Business Plan assumes that repairs and maintenance costs will be uplifted annually to reflect the rising costs of labour and materials. It is assumed that for 2025/26, repairs and maintenance inflation will increase by 5% but will reduce to 2% in subsequent years.

4.7. Similarly, with supervision and management costs, it is assumed that the pay award will increase rise by 4% in 2025/26 (2.8% for the pay award and 1.2% for the rise in employers' national insurance) and other costs will increase by an average 3%. In respect of subsequent years, it is assumed that management and supervision costs will increase by an average 2%.

4.8. The Business Plan reflects the forecasts and assumptions contained in the Asset Management Plan (AMP). A full stock condition survey is currently being carried out and the AMP will be refreshed and will set out the capital resources required to repair and renew the existing housing stock over the 30-year period.

4.9. Stock numbers are an important element of the Business Plan and following the budget announcement on RTB discounts there has been a significant increase in the number of applications. However, it is not anticipated that all the applications received will lead to a sale. It is assumed that there will be 360 sales in 2024/25 and 540 in 2025/26 which equates to 50% of applications received. Thereafter, it is assumed that there will be 80 sales each year equivalent to pre-2012 sales.

4.10. The Business Plan incorporates the current Housing Capital Programme along with the sources of finance.

4.11. The Business Plan also incorporates the Council's Treasury Management Strategy (TMSS) which includes the Voluntary Debt Reduction Policy Statement (VDRPS). This means that there shall be no new borrowing during the MTFP, and any non-restricted capital receipts will be used to repay debt.

4.12. The Business Plan also includes a detailed analysis of HRA reserves including requirement to maintain a minimum working balance of £12m which is approximately 10% of the gross rent income (10% has been confirmed by Savills as used in other authorities). In addition to the HRA general reserve there is a Major Repairs Reserve (MRR), a grants reserve, a lift replacement reserve, and a pre-start reserve.

## 5. The Medium-Term Financial Plan

5.1. The MTFP has been developed using the first four years of the Business Plan. The assumptions used in preparing the MTFP are directly linked to those used in the business plan.

**`Table 1 HRA MTFP 2025/26 to 2028/29**

| Housing Directorate | Budget 2025/26 £m | Estimates 2026/27 £m | Estimates 2027/28 £m | Estimates 2028/29 £m |
|---|---|---|---|---|
| **Income** | | | | |
| Dwelling Rents | (115.621) | (117.933) | (120.292) | (122.698) |
| Non-Dwelling Rents | (3.174) | (3.237) | (3.302) | (3.368) |
| Service Charges | (11.456) | (11.685) | (11.919) | (12.157) |
| Other Income | (0.005) | (0.005) | (0.005) | (0.005) |
| **Total Income** | (130.255) | (132.860) | (135.518) | (138.228) |
| **Expenditure** | | | | |
| Repairs & Maintenance | 43.120 | 40.899 | 39.304 | 40.091 |
| Management & Supervision | 40.836 | 40.688 | 41.502 | 42.347 |
| Depreciation and Amortisation | 24.772 | 24.723 | 24.780 | 24.731 |
| Provision for Bad Debts | 2.213 | 2.257 | 2.302 | 2.348 |
| Direct Revenue Financing | 14.355 | 15.776 | 21.378 | 21.969 |
| **Total Expenditure** | 125.296 | 124.343 | 129.267 | 131.486 |
| **Net Cost of Housing Services** | (4.959) | (8.517) | (6.251) | (6.742) |
| **Capital Financing Charges** | | | | |
| Debit Interest Paid | 13.644 | 12.969 | 12.351 | 12.165 |
| Credit Interest Received | (5.356) | (4.272) | (3.286) | (2.827) |
| **Total Deficit/(Surplus)** | 3.329 | 0.180 | 2.814 | 2.597 |
| Contribution to/(from) Reserves | (3.329) | (0.180) | (2.814) | (2.597) |
| **Net Total** | 0 | 0 | 0 | 0 |

5.2. Table 1 sets out the 2025/26 to 2028/2029 revenue MTFP for the HRA. It provides a detailed analysis of income and expenditure which can legitimately be charged to the HRA. The MTFP shows that for each financial year the HRA is in deficit following the level of growth items and inflation included. The growth items proposed are detailed in Appendix 1 and contain £9.540m in revenue growth for 2025/26 and a net increase of £5.891m over the life of the MTFP

5.3. Table 2 shows the balance of HRA revenue reserves over the MTFP and reflects the annual revenue deficits.

**Table 2 HRA Revenue Reserves 2025/26 to 2028/29**

| Housing Directorate | Budget 2025/26 £m | Estimates 2026/27 £m | Estimates 2027/28 £m | Estimates 2028/29 £m |
|---|---|---|---|---|
| General Reserve | | | | |
| Opening Balance (excl working balance) | (48.420) | (45.092) | (44.911) | (42.098) |
| Add (Surplus)/Deduct Deficit | 3.329 | 0.180 | 2.814 | 2.597 |
| Closing Balance (excl working balance | (45.092) | (44.911) | (42.098) | (39.501) |
| Add Working Balance | (12.000) | (12.000) | (12.000) | (12.000) |
| Total Revenue Reserves | (57.092) | (56.911) | (54.098) | (51.501) |

## 6. HRA Revenue Budget Monitoring 2024/25 – Period 9

6.1. The HRA revenue position at Period 9 is set out in table 3

**Table 3 – 2024/25 Budget Monitoring – Period 9**

| Housing Revenue Account | Revised Budget | Actula to Date | Period 9 Forecast | Period 9 Variance Under (-) |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Income** | | | | |
| Dwelling Rents | (114.342) | (82.706) | (114.342) | 0.000 |
| Non-Dwelling Rents | (2.746) | (2.191) | (2.967) | (0.221) |
| Service Charges | (11.205) | (10.029) | (11.208) | (0.003) |
| Other Income | (0.285) | (0.234) | (0.264) | 0.021 |
| **Total Income** | **(128.578)** | **(95.160)** | **(128.781)** | **(0.203)** |
| **Expenditure** | | | | |
| Repairs & Maintenance | 34.684 | 24.507 | 37.848 | 3.164 |
| Management & Supervision | 36.102 | 15.003 | 33.666 | (2.436) |
| Depreciation & Amortisation | 30.427 | 22.820 | 25.113 | (5.314) |
| Provision for Bad & Debts | 2.213 | 1.660 | 2.213 | 0.000 |
| Direct Revenue Financing | 7.200 | 5.400 | 12.616 | 5.416 |
| **Total Expenditure** | **110.626** | **69.390** | **111.456** | **0.830** |
| **Net Cost of Housing Services** | **(17.952)** | **(25.770)** | **(17.325)** | **0.627** |
| **Capital Financing Charges** | | | | |
| Item 8 Interest Paid.. | 15.279 | 11.459 | 14.356 | (0.923) |
| Item 8 Interest Received | (5.857) | 4.393 | (5.857) | 0.000 |
| **Net Deficit/(Surplus)** | (8.530) | (9.918) | (8.826) | (0.296) |
| **Net (Surplus)/Deficit.** | 8.530 | 9.918 | 8.826 | 0.296 |
| **Net (Surplus)/Deficit.** | 0.000 | 0.000 | 0.000 | 0.000 |

6.2. A detailed explanation for all the variances can be found in the Budget Monitoring report on the same agenda, but the main highlight is the significant overspend on repairs and maintenance due to the rising number of housing disrepair claims. This is the main driver for the large number of growth items being put forward in the budget.

## 7. HRA Budget 2025/26

7.1. The HRA budget 2025/26 has been prepared on the latest financial information available and reflects the national and global economic outlook. The proposed budget is built on prudent assumptions around inflation, interest rates and the continuing strong demand for housing. Set out in Table 4 is the draft 2025/26 HRA budget compared with the current 2024/25 budget at Period 9.

**Table 4 Comparison of 2024/25 Period 9 with 2025/26 Draft Budget**

| Housing Directorate | 2024/25 Revised Budget Period 9 £m | Budget 2025/26 £m | Movement |
|---|---|---|---|
| **Income** | | | |
| Dwelling Rents | (114.342) | (115.621) | (1.279) |
| Non-Dwelling Rents | (2.746) | (3.174) | (0.428) |
| Service Charges | (11.205) | (11.456) | (0.251) |
| Other Income | (0.285) | (0.005) | 0.281 |
| **Total Income** | (128.578) | (130.255) | (1.677) |
| **Expenditure** | | | |
| Repairs & Maintenance | 34.684 | 43.120 | 8.436 |
| Management & Supervision | 36.102 | 40.836 | 4.734 |
| Depreciation and Amortisation | 30.427 | 24.772 | (5.655) |
| Provision for Bad Debts | 2.213 | 2.213 | 0.000 |
| Direct Revenue Financing | 7.200 | 14.355 | 7.155 |
| **Total Expenditure** | 110.626 | 125.296 | 14.670 |
| **Net Cost of Housing Services** | (17.952) | (4.959) | 12.993 |
| **Capital Financing Charges** | | | |
| Debit Interest Paid | 15.279 | 13.644 | (1.635) |
| Credit Interest Received | (5.857) | (5.356) | 0.501 |
| **Total Deficit/(Surplus)** | (8.530) | 3.329 | 11.859 |
| Contribution to/(from) Reserves | 8.530 | (3.329) | (11.859) |
| **Net Total** | 0.000 | 0.000 | 0.000 |

### Explanation for the Movement in the Budget and Reserves

7.2. Table 5 explains the movement £11.859m between period 9 HRA current budget 2024/25 and the recommended HRA budget 2025/26.

**Table 5 Explanation of the Budget Movements**

| Reason for Movement | Movement £m |
|---|---|
| Inflationary Increases in respect of Rents and Service Charge | (1.958) |
| Interest Rate Changes | (1.134) |
| Revenue Growth (See Appendix 1) | 9.540 |
| Adjustment to the Depreciation Calculation | (5.655) |
| Increase DRF due to the Capital Growth | 7.155 |
| Inflationary increases in respect of pay awards | 3.527 |
| Non Pay Inflation | 0.603 |
| Other Adjustments | (0.218) |
| **Total Movement in Budget** | **11.859** |

**Dwelling Rents**

7.3. Income is the largest single budget within the HRA and is calculated in accordance with the Rent Standard. The Government replaced the Rent Standard 2020 as amended by the Rent Standard 2023 with a one-year settlement for 2025/26. This remains at September 2024 CPI plus 1%. This applies to all social landlords including local authorities and Housing Associations.

7.4. A national consultation on the proposals for the next Rent Standard ended on the 23 December 2024. The consultation requested views on several proposed changes, including extending the implementation period from 5 to 10 years. An update on the new Rent Standard will be provided once the results of the consultation are known.

7.5. Rents are calculated in accordance with the agreed formula set out in the Rent Standard 2020. The formula considers factors such as the national average rent, the relative earnings of Nottinghamshire, the number of bedrooms and the relative property value. The Council operates a policy of moving to formula rents each time the property is relet.

7.6. The full increase in dwelling rents is essential to ensure sufficient investment is made to deliver high quality housing services for tenants. The proposed rent increase is sufficient to carry out the investment in accordance with the Business Plan. If rent increases are not increased by the statutory amount this will result in a reduction in income over the medium term. Failure to increase the rents will increase financial pressure in the future.

**Garage Rents**

7.7. As at 1st April 2024 the HRA manages and maintains a total of 3,018 garages. The proposal is to increase garage rents by 5%. This will increase the average rent per garage from £10.88 to £11.42 per week. The proposed increase has been reflected in the draft budget.

### Service Charges to Tenants and Leaseholders

7.8. The schedule of draft service charges is set out in Appendix 3. The level of service charges is set to recover the full cost of providing the service. It is proposed that tenant general service charges are increased by an average 2% in line with the September 2024 CPI. For leaseholders, full costs will be recovered in accordance with the leaseholder agreement (which may include any additional items such as garages).

### Repairs and Maintenance

7.9. The repairs and maintenance budget represents the cost of responsive and cyclical maintenance programmes. These are determined both with the existing levels of planned maintenance and the latest stock condition survey information. In addition, there is a focus on decarbonisation and energy efficiency to help tenants experiencing the cost-of-living crises.

7.10. The key risks in respect of the repairs and maintenance budget is the potential increase in activity arising through the review of decent homes standard, the application of Awaab's law and the volume of necessary unreported works required arising from the stock condition survey.

7.11. The Council has a landlord statutory and regulatory duty to carry out this work once identified in a timely manner and estimated costs are reflected in the growth proposals being put forward. Ongoing costs will be necessary, and these will be included when the Business Plan is refreshed and the 2025/26 HRA budget is approved.

7.12. The building sector is facing significant challenges due to the shortage of labour leading to increased pressure on both labour and material costs and supply chain disruption. This is adding to existing budget pressures from decarbonisation and energy efficiency programmes. The 2025/26 repairs and maintenance budgets have been increased by 5% to reflect these pressures.

### Management and Supervision

7.13. Management and Supervision costs included tenancy management, rent and service charge collection and other support to tenants. They also include such services as concierge, caretaking, cleaning, and ground maintenance. The costs of providing these services have also increased sharply due to inflation and on average budgets have increased by 3% to reflect these pressures.

### General Fund Recharges to the HRA

7.14. The core finding of the CIPFA/Penn review was that the HRA had been incorrectly recharged by the general fund for services provided. Following the publication of the review findings, the management response has been to critically assess all services provided by the general fund to the HRA. Whilst the current recharges are well developed and informed by previous review work, it is the intention of the Section 151 Officer to reappraise and potentially refresh the recharge process between the HRA and General Fund, all in accordance with prevailing accounting best practice.

**Welfare Reform, Rent Arrears and Provision for Bad Debts**

7.15. The Council continues to monitor closely the impact of welfare reforms, Covid and the current cost of living crises on rent collection and the level of rent and service charge arrears. The level of arrears and the required level of bad debt provision will continue to be reviewed but the latest estimates show that due to good rent arrears management the current level of arrears is no higher than previously budgeted.

**Direct Revenue Financing**

7.16. Direct revenue financing is required where there is a shortfall between the total capital expenditure and the availability of other capital resources. Based on the 2025/26 proposed capital programme, the application of VDRPS and the estimated contribution from MRR, the revenue contribution will increase from £7.200m to £14.355m.

**Capital Financing Charges - Debit Interest & Debt Repayment**

7.17. Interest is payable on all HRA debt which is split between long-term and short-term. The interest payable all long-term debt is fixed and only changes when debt is refinanced or repaid. The interest charged on all short-term debt is variable and the rate charged reflects the latest market conditions. This is currently 4.6%.

7.18. The proposed budget takes into account the Councils current VDRPS policy and none of the proposed capital expenditure is financed by borrowing. Included in the capital financing charges budget is a provision of £2.7m for the repayment of debt. This position is under constant review.

**Revenue Growth and Investment Proposals**

7.19. Appendix 1 is a list of growth, efficiency savings and investment proposals. These revenue proposals are split between non-recurring items which only relate to 2025/26 and recurring items which are incorporated in the base budget for future years.

## 8. Housing Capital Programme

8.1. The Housing capital programme has two sections:

- Approved Programme – are schemes where the funding has been secured, and the project has been formally approved

- Planned Programme – where schemes have been approved in principal and the Council is awaiting secured funding followed by a robust investment appraisal

8.2. The purpose of Capital Programme is designed to manage and maintain the Council's housing stock. It ensures that the housing provided is safe, well-maintained, and helps meets the needs of the residents

8.3. The programme funds a variety of projects, including:

- **Repairs and Maintenance**: Ensuring existing housing stock is kept in good condition.
- **New Builds and remodelling**: Enable the constructing new housing and remodelling of existing properties to meet demand.
- **Upgrades and Improvements**: Replacing property attributes such as roofs, windows, heating. Enhancing existing properties to meet ensure compliance with the Governments decent homes standard modern standards, such as energy efficiency upgrade.

8.4. The investment criteria for the HRA capital programme are formed by.

- **Alignment with Council and Service Objectives:** Investment projects support the broader goals and priorities of the council, such as improving living conditions and supporting community development. The capital programme helps create a balance between maintaining compliance with the four criteria in the Government decent homes standards and preventing non decency as outlined in the asset management strategy and Landlord strategy. The aim is to ensure that all properties, blocks, estates, and neighbourhoods are maintained, improved, and adapted to meet current and future needs while balancing financial sustainability and regulatory compliance. Investment in the Housing assets will support priorities in Homes fit for the future Nottingham's Housing Strategy 2024-2028, and wider Council vision and purpose, corporate strategy, and improvement plans. The plan reflects the approach outlined in Asset Management strategy for Nottingham City Council Housing and the Repair, maintenance, and investment policy for Nottingham City Council Housing Assets.

- **Affordability:** Ensuring that the projects are financially viable and sustainable. The overall value of investment needs is considered in the Business Plan, and this is informed through our understanding of the changing condition of Housing Assets.

- **Value for Money**: Projects must provide good value for the investment made and procured in line with the Council's Financial and Procurement Regulations and other constitutional requirements. To deliver an efficient, effective, and timely process for planned replacements, improvements, and remodelling that reflects tenant needs, ensures financial sustainability within the HRA budget, and aligns with statutory and regulatory responsibilities.

- **Prudence:** Investments should be made with careful consideration of risks and long-term benefits. Our investment needs are greater than the funds available, so we operate a managed approach to investment trying to prolong the life of a property attribute through our approach to repairs and maintenance. An attribute will be replaced through the capital programme where it is at the end of its economic lifecycle due to a combination of age and condition.

8.5. The original Housing Capital Programme 2024/25 to 2027/28 was approved by full Council in March 2024 and has been amended by subsequent capital monitoring reports received by the Executive Board.

8.6. The Government has pledged to increase and improve the quality of social and affordable housing. This follows the legislation to improve the standards safety and operation of social housing by the previous Government. These include the Fire Safety Act 2021, the Building Safety Act 2022, and the Social Housing (Regulation) Act 2023. These are the main drivers for the current growth bids.

8.7. The Government has pledged to deliver 1.5 million new homes during the life of the Parliament and in July 2024 announced the following changes to the use of restricted Right to Buy (RTB) capital receipts:

- For 2024/25 and 2025/26 newbuild and acquisitions could be financed 100% from restricted RTB receipts
- Section 106 Contributions can now be used in conjunction with RTB receipts
- The annual cap on acquisitions has been removed for 2024/25 and 2025/26
- Retention of the Treasury Share of the capital receipt to 20205/26.

The relaxation of these restrictions for a limited period has a necessitated a review and the bringing forward several new build schemes

8.8. In addition, in the budget statement on the 30th October 2024 the Chancellor announced changes to the Right to Buy (RTB) discount that a tenant can receive when purchasing the property. With effect from 21st November 2024 the maximum discount that a tenant in the East Midlands can receive will reduce from £0.102m to £0.024m. These changes resulted in 1,303 applications being received before the 21st November deadline. It is anticipated that RTB receipts will increase in 2024/25 and 2025/26 but will significantly reduce from 2026/27 onwards. This will impact on the funding of the capital programme as set out below:

8.9. Based on the proposed capital programme and assumptions made on the number of RTB sales in the MTFS the receipt and usage of restricted RTB receipts is set out in Table 6.

**Table 6 Receipt & Usage of Restricted RTB receipts 2025/26 to 2028/29**

| Restricted RTB Receipts | Draft Budget 2025/26 £m | Draft Estimate 2026/27 £m | Draft Estimate 2027/28 £m | Draft Estimate 2028/29 £m |
|---|---|---|---|---|
| Balance Brought Forward | (25.161) | (14.179) | (6.740) | (5.526) |
| Restricted RTB Receipts Received | (20.510) | (0.288) | (0.291) | (0.294) |
| Restricted RTB Receipts Used | 31.493 | 7.727 | 1.505 | 0 |
| Balance Carried Forward | (14.179) | (6.740) | (5.526) | (5.820) |

8.10. It is assumed in Table 6 that in 2025/26 there will be a significant increase in sales due to the number of applications received before the deadline. From 2026/27 onwards it is assumed that there will only be 80 sales per annum which is the pre 2012 rate.

8.11. Table 7 is the estimated amount of the unrestricted capital receipt that will be used to repay debt.mm

**Table 7 Receipt & Usage of Unrestricted receipts 2025/26 to 2028/29**

| Unrestricted RTB Receipts | Draft Budget 2025/26 £m | Draft Estimate 2026/27 £m | Draft Estimate 2027/28 £m | Draft Estimate 2028/29 £m |
|---|---|---|---|---|
| Balance Brought Forward | 0.000 | 0.000 | 0.000 | 0.000 |
| Unrestricted Receipts Received | (11.151) | (2.679) | (2.727) | (2.776) |
| Unrestricted Receipts used to Repay Debt | 11.151 | 2.679 | 2.727 | 2.776 |
| Balance Carried Forward | 0.000 | 0.000 | 0.000 | 0.000 |

8.12. It is assumed that the un-restricted element of the RTB receipt will be used to repay debt. In Table 2 is the receipt and usage of un-restricted capital

**Rolling Forward of Planned and Approved Schemes**

8.13. The Housing capital programme consists of a range of activities that help demonstrate compliance with maintaining stock to the four criteria within the government Decent Homes Standard (DHS) and help preventing the stock becoming non decent and priorities identified by tenants through past consultation and engagement activities, The four DHS criteria are:

- Asset meets the current statutory minimum standard for housing
- It is in a reasonable state of repair
- It has reasonably modern facilities and services
- It provides a reasonable degree of thermal comfort

8.14. As these four criteria have not changed (although some changes are expected be announced as part of the governments review of the DHS) it is solely the value and properties against each of the criteria which is reviewed annually. Therefore, several schemes are already approved through previous budget cycles and will be rolled forward as planned in the current capital programme

8.15. The investment in new build is still a continuation of the Building a Better Nottingham plan but will be reviewed in 2025/26 onwards as part of a wider review of the HRA business plan. Table 8 sets out the current 2024/25 programme as reported in Period 9 with proposed capital programme for 2025/26. A detailed breakdown of the schemes is set out in Appendix 2

**Table 8 Comparison of Period 9 2024/25 with 2025/26 Budget**

| Programme/Category | Period 9 Budget 2024/25 £m | Budget 2025/26 £m | Movement £m |
|---|---|---|---|
| **Approved Schemes** | | | |
| Safe | 5.359 | 6.300 | 0.941 |
| Secure Warm & Modern | 21.985 | 23.820 | 1.835 |
| Energy Efficiency | 7.449 | 2.137 | (5.312) |
| Older People | 0.896 | 1.173 | 0.278 |
| Decent Neighbourhoods | 2.503 | 5.802 | 3.299 |
| Existing Stock Investment | 5.468 | 2.937 | (2.531) |
| Build a Better Nottingham | 16.972 | 15.385 | (1.587) |
| Adaptations | 2.809 | 2.282 | (0.527) |
| **Total Approved Schemes** | 63.441 | 59.836 | (3.605) |
| **Planned Schemes** | 0.025 | 35.146 | 35.121 |
| **Total Capital Programme** | **63.466** | **94.981** | **31.515** |

**Current Planned Schemes**

8.16. Planned schemes are shown separately because they require business case approval before they can proceed. Set out in Table 9 is a list of planned schemes included in the capital programme as at 2024/25 Period 9.

**Table 9 – Planned Schemes – 2024/25 to 2028/29 as at Period 9**

| Planned Schemes | Period 9 Budget 2024/25 £m | Draft Estimate 2025/26 £m | Draft Estimate 2026/27 £m | Draft Estimate 2027/28 £m | Total £m |
|---|---|---|---|---|---|
| Scooter Stores | | 0.120 | | | 0.120 |
| Fleet Replacement | | 3.125 | 2.500 | 1.875 | 7.500 |
| Replacement Fork Lift Truck | 0.025 | | | | 0.025 |
| Laptops and Computer Equipment | | | 0.130 | | 0.130 |
| Acquisitions | | 6.860 | 2.343 | | 9.203 |
| Total Planned Schemes | 0.025 | 10.105 | 4.973 | 1.875 | 16.978 |

**Growth Bids – Newbuild Schemes**

8.17. The overall number of housing assets is reducing annually as tenants exercise their Right to Buy the property. To help replenish some of the sold stock the Council will work with private contractors to build new homes using HRA owned land. This could involve demolition or remodelling of existing buildings on this land to create new homes

8.18. Table 10 sets out the draft programme of proposed newbuild schemes

**Table 10 Growth Bids – Newbuild Schemes**

| Proposed Newbuild Schemes | Draft Estimate 2025/26 £m | Draft Estimate 2026/27 £m | Draft Estimate 2027/28 £m | Draft Estimate 2028/29 £m | Total £m |
|---|---|---|---|---|---|
| Woodlands | 0.357 | | | | 0.357 |
| Colston Road | 1.817 | 2.725 | 0.908 | | 5.450 |
| Robin Hood Chase | 1.483 | 2.225 | 0.742 | | 4.450 |
| Total Newbuild Schemes | 3.657 | 4.950 | 1.650 | - | 10.257 |

8.19. Each of these proposals will have a separate business case and options appraisal to ensure they are financially viable to pursue. Each proposal will be considered through Building a Better Nottingham group, consisting of officers and elected members. A number of these sites were identified historically and are at different stages of feasibility. Presently, none have progressed past feasibility stage due to funding challenges around the build process given the borrowing restrictions imposed on the HRA.

8.20. The temporary changes announced by government of the 100% use of RTB Receipts and the return of £10m worth of Right to Buy receipts recently paid back to the government, has provided access to funding we did not previously have. This has enabled us to put some of these proposals forward.

8.21. The Woodlands project is the conversion of former office accommodation into Council independent living schemes into 8 dwellings, including 6 two bed 3 person flats and 2 one bed 2 person flats. Further funding is required as we had to retender the scheme following the original contractor ceasing to trade and costs during that time have increased.

8.22. The development in Colston Road is to demolish 54 existing garages and develop around 30 flats subject to planning permission. It is anticipated that the business case and full costings will be submitted to the March meeting of the Executive Board.

8.23. The Robin Hood Chase, St Ann’s development is to regenerate an area demolish several empty shop units and replace with between 12 to 14 two and three bed houses, subject to planning

**Growth Bids – Other Projects**

8.24. As part of the Knowing Your Homes approach, information about property condition, repair trends and residents use of the assets has identified priorities which now inform the scope and required budgets for future maintenance and investment programmes. The table 6 illustrates a range of activities that will predominantly target providing appropriate control measures to address identified investment gaps or previously unidentified requirements to maintain compliance with the governments DHS. Set out in Table 11 is a list of other capital bids

**Table 11 List of all other Capital Growth Bids**

| Other Growth Bids | Draft Budget 2025/26 £m | Draft Estimate 2026/27 £m | Draft Estimate 2027/28 £m | Draft Estimate 2028/29 £m | Total £m |
|---|---|---|---|---|---|
| **Other Growth Bids** | | | | | |
| PV Replacement Meters | 0.100 | 0.100 | 0.100 | 0.100 | 0.400 |
| Scooter Stores | 0.200 | 0.200 | 0.200 | 0.200 | 0.800 |
| Fencing | 3.000 | 1.000 | 1.000 | 1.000 | 6.000 |
| Energy Efficiency Schemes - EPC C By 2030 | 5.912 | 6.009 | 7.500 | 7.500 | 26.921 |
| Internal Drainage | 0 | 0.200 | 0.200 | 0.200 | 0.600 |
| Leak Detection System | 0.600 | 0.600 | 0.600 | 0.600 | 2.400 |
| IT Improvement Programme | 2.000 | 1.500 | 0 | 0 | 3.500 |
| Towable Spider Lift | 0.030 | 0 | 0 | 0 | 0.030 |
| Office Equipment | 0.050 | 0 | 0 | 0 | 0.050 |
| Removal of Textured Ceilings | 0.150 | 0.150 | 0.150 | 0.150 | 0.600 |
| Conversion Shops & Communal Areas | 1.500 | 0 | 0 | 0 | 1.500 |
| Repurpose IL Accommodation | 0.623 | 0 | 0 | 0 | 0.623 |
| Acquisition of Fleet & annual replacement | 2.500 | 0.000 | 0.000 | 0.000 | 2.500 |
| **Total Other Growth Bids** | 16.665 | 9.759 | 9.750 | 9.750 | 45.924 |

8.25. A programme of PV panel replacement meters is to begin in 2025/26 at an estimated cost of £0.100m per annum. These meters have reached the end of their lives, which is typically between 10-15 years, so need to be replaced. These meters are essential for monitoring and managing the energy produced by solar panels and ensuring efficient energy use so that we can continue to manage the supply and recover feed in tariff monies based on creation and usage.

8.26. The project for the provision of mobility scooters is to be expanded to £0.200m per annum over the next 4 years. By providing mobility scooter stores, the Council ensures that residents with mobility impairments have the necessary resources to move around independently. This aligns with the council’s duty to provide accessible housing and support services for all residents. Facilitating access to mobility scooters helps improve the quality of life for disabled residents by promoting independence and reducing isolation. This supports the council’s broader objective of enhancing the health and well-being of its community. It demonstrates a commitment to the Equality Act 2010, which requires public bodies to make reasonable adjustments to ensure that disabled individuals are not at a disadvantage. Mobility scooter stores enable disabled residents to participate more fully in community activities, fostering a sense of inclusion and community cohesion. This supports the Council's objective of creating vibrant, inclusive communities

8.27. In 2024, the Council introduced a new boundary policy which clarified our responsibility for replacement of boundaries to tenants’ homes. This growth item is to fund this policy decision, as it was highlighted by tenants as a priority in their perception of feeling safe in their home. The Housing Ombudsmen has also found against the council due to lack of clarity and confusion between the tenancy agreement and policy on responsibility for replacement of boundaries. At an estimated cost of £73m, the replacing and maintaining boundaries for each of the Council's  approximate 25,000 homes and communal areas over the next 30 years is economically prohibitive and financially unsustainable and would not present value for money. Our approach is to limit the amount we will spend in this activity. We have identified an initial list using customer feedback and this equates to approximately £3.000m worth of work in 2025/26. This is followed by an annual provision £1.000m to continue the work. Once the monies are spent, customers will be advised that future activity will join a waiting list until further funds are available.

8.28. Under the UK Decent Homes 2 consultation, the minimum energy standard requirement for social housing is proposed to be an Energy Performance Certificate (EPC) rating of C by 2030. This requirement reflects the government's commitment to improving the quality of housing and addressing fuel poverty, while also contributing to broader environmental goals. The energy efficiency programme over the next four years is estimated to be £26.921m. Ensuring homes are energy efficient helps improve living conditions, reducing health risks associated with cold and damp environments. This aligns with the council's priority to enhance the health and well-being of its residents. Lower energy bills for residents can alleviate financial stress, particularly for those in utility poverty. This supports the Council's goal of building economic resilience within the community. We have worked with external consultants to develop a menu of energy efficiency improvements, and we will continue to target energy efficiency improvements to those properties with the lowest EPC levels. Meeting this target is dependent on additional Government energy efficiency grant funding otherwise we will need to reconsider our options during 2025/26 to reflect funds available. This has been identified this as a financial risk.

8.29. A provision of £0.600m is required for additional internal drainage work. Approximately 25% of all weekly work orders raised are linked to a plumbing or drainage issue. As a service there is an under investment in plumbing infrastructure

8.30. Leaks are a growing issue and potential damage caused from a leak can be significant, especially in high rise blocks where water cannot currently be isolated other than at whole block level impacting on all tenants in a building. By putting in water leak intelligence we will be able to become proactive in understanding when a leak has occurred. In blocks it can be difficult to identify that a leak has occurred until the impact is significant. There are several blocks including Southchurch and Victoria Centre where water infrastructure condition is deteriorating significantly due to age and use. Undetected leaks can lead to lengthy time for drying buildings out and mould growth can put residents' health at risk. Plumbing related issues are a cause of customer dissatisfaction due to the inconvenience and disturbance they can cause.

8.31. Part of the service improvement journey and alignment with the Council's broader target operating model principles is how to use digital tools to deliver services around the customer and to support efficient and effective services through intelligent data. The IT systems with housing are presently not fit for purpose and this funding will support the improvements to existing IT systems as required, promote the use of AI and other digital tools that will assist with the implementation of the service delivery model

8.32. Additional provision is requested for the purchase of a Spider Lift (£0.030m). Housing services have introduced a roofing MOT to try and extend the life expectancy of a roof but need to continue to repair roofs as part of the managed approach to replacement. Where repairs cannot be undertaken by ladders, scaffolding needs to be deployed. This can be both costly and add additional time to the repairs process as this is delivered through 3rd parties. By using a spider lift, roof repairs can be done in a timelier manner. This will help prevent the potential for further water ingress and avoid creating an environment for damp and mould and inconvenience and health issues for tenants.

8.33. An additional £0.050m provision is also requested for office equipment. This is to facilitate the return to the office of staff who are currently working from home. This equipment includes screens, connection cables and keyboards and will be scoped as required.

8.34. Across the Council's housing stock, properties with textured coating ceilings need testing for asbestos containing materials. Historically, the approach has been to cut out and remove patches of ceiling creating future issues and costs associated with managing deteriorating asbestos materials, but this has resulted in difficulties of maintaining accurate information to determine where this is becoming a particular issue in response to dealing with leaks through ceilings. This funding is to develop an ongoing programme of removal as a means of addressing the hazard rather than attempts to control the impact. Removing asbestos-containing materials (ACMs) significantly reduces the risk of asbestos exposure, which can cause serious health issues such as asbestosis, lung cancer, and mesothelioma. Ensuring a safe living environment for residents is a top priority. Removing hazardous materials enhances the overall quality of the living environment. This can lead to increased tenant satisfaction and well-being. By proactively removing ACMs, the Council ensures compliance with the Control of Asbestos Regulations (2012), avoiding potential legal and financial penalties. Removal would reduce the long terms expenditure on testing and inspection.

8.35. Provision is also required to continue the programme of upgrading communal areas and shop conversions. As a landlord, the Council has a duty under section 9A of the Landlord and Tenant Act 1985 which was inserted by the Homes (Fitness for Human Habitation) Act 2018 to ensure communal areas are maintained. The conversion of unused shops to accommodation is part of the options to increase the supply council housing in the city.

8.36. Following the external report on the provision of independent living accommodation, the latest proposed scheme is the re-purposing of Sketchley Court for Homelessness provision. Subject to the outcome of the consultation process a business case and costing will be submitted to the Executive Board in the future.

8.37. In the planned part of the capital programme is a provision of £7.500m for the replacement of fleet vehicles. The existing Housing Services vehicle fleet was purchased in 2013. The combined impact of increasing maintenance costs, availability of parts and an increased requirement to hire replacement vehicles has warranted the need for replacement schedule to ensure service continuation in line with the operating model principles and service delivery model. Initially, the fleet replacement programme was projected to be over a 3-year period starting in 2024-2025 however due to timing issues with the procurement of the Council's Light Commercial Vehicle framework, the replacement programme has not commenced. We will aim to complete the replacement over a 2-year period. Following an indicative pricing exercise, the total budget for Fleet Acquisitions will be up to £10m, for which an additional £2.5m provision is required.

**Summary and Funding of the Capital Programme**

8.38. Table 12 sets out a summary of the rolled over schemes together with a summary of the growth bids. In addition, the table shows how the proposed capital programme is financed.

**Table 12 Capital Programme Summary and Financing**

| Capital Expenditure | Draft Budget 2025/26 £m | Draft Estimate 2026/27 £m | Draft Estimate 2027/28 £m | Draft Estimate 2028/29 £m | Total £m |
|---|---|---|---|---|---|
| **Approved Schemes** | | | | | |
| Safe | 6.300 | 7.367 | 6.203 | 4.801 | 24.672 |
| Secure Warm & Modern | 23.820 | 23.530 | 23.746 | 28.472 | 99.567 |
| Energy Efficiency | 2.137 | 1.721 | 1.565 | - | 5.424 |
| Older People | 1.173 | 1.050 | 1.050 | - | 3.273 |
| Decent Neighbourhoods | 5.802 | 6.241 | 6.388 | 6.183 | 24.613 |
| Existing Stock Investment | 2.937 | 2.766 | 2.900 | 2.900 | 11.503 |
| Build a Better Nottingham | 20.223 | 8.160 | 1.360 | - | 29.744 |
| Adaptations | 2.282 | 2.135 | 2.135 | 2.135 | 8.687 |
| **Total Approved Schemes** | 64.674 | 52.970 | 45.347 | 44.492 | 207.483 |
| **Planned Schemes** | 9.985 | 6.848 | - | - | 16.833 |
| **Growth Bids** | 20.322 | 14.709 | 11.400 | 9.750 | 56.181 |
| **Total Capital Programme** | 94.981 | 74.527 | 56.747 | 54.242 | 280.497 |
| **Finaced By** | | | | | |
| Borrowing | 0 | 0 | 0 | 0 | 0 |
| Major Repairs Reserve | (43.221) | (45.015) | (26.364) | (24.773) | (139.373) |
| Capital Receipts - 1-4-1 | (31.493) | (7.727) | (1.505) | 0.000 | (40.724) |
| Capital Receipts - Other | 0 | 0 | 0 | 0 | 0 |
| Capital Grants & Contributions | (5.912) | (6.009) | (7.500) | (7.500) | (26.921) |
| DRF | (14.355) | (15.776) | (21.378) | (21.969) | (73.478) |
| **Total Capital Financing** | (94.981) | (74.527) | (56.747) | (54.242) | (280.497) |

8.39. It can be seen from Table 12 that none of the proposed capital programme is being financed by borrowing or using non-restricted capital receipts. This is because the Council still has a Voluntary Debt Reduction Policy (VDRP) in place and there is a moratorium on borrowing even for the HRA. Any non-restricted capital receipts are being used to repay debt.

8.40. It can also be seen from Table 12 that the Direct Revenue Financing (DRF) is substantial and increasing. It anticipated that these revenue contributions can be accommodated within the HRA. The HRA Budget 2025/26 and the MTFP is still to be finalised, but it is unlikely that all these costs can be met from the current revenue streams and any additional costs will have to be met from HRA general.

**Major Repairs Reserve**

8.41. The Major Repairs Reserve (MRR) is a statutory reserve specifically set aside to fund capital repairs and maintenance of council housing stock. This reserve is crucial for ensuring that housing stock remains in good condition and meets safety and quality standards. The MRR is primarily funded through the depreciation charges on the housing stock within the HRA. There are regulations governing the usage of the MRR to ensure that funds are used appropriately and are effective. The MRR is reviewed annually to ensure funds are adequate to cover upcoming major repairs and maintenance needs. Set out in Table 13 is the impact of the proposed growth bids on the Major Repairs Reserve.

**Table 13 Major Repairs Reserve**

| Major Repairs Reserve | Draft Budget 2025/26 £m | Draft Estimate 2026/27 £m | Draft Estimate 2027/28 £m | Draft Estimate 2028/29 £m |
|---|---|---|---|---|
| Balance Brought Forward | (48.727) | (31.277) | (10.985) | (9.401) |
| Contributions (Depreciation) | (24.772) | (24.723) | (24.780) | (24.731) |
| Financing Capital Expednditue | 42.222 | 45.015 | 26.364 | 24.773 |
| Balance Carried Forward | (31.277) | (10.985) | (9.401) | (9.359) |

8.42. It can be seen from Table 13 that the large capital programme will have a major impact of MRR balances.

**HRA Borrowing (Capital Financing Requirement)**

8.43. Set out in Table 14 is the HRACFR which reflects the accumulated level of borrowing by the HRA.

**Table 14 HRA Capital Financing Requirement**

| HRACFR | Period 8 Budget 2024/25 £m | Draft Budget 2025/26 £m | Draft Estimate 2026/27 £m | Draft Estimate 2027/28 £m | Draft Estimate 2028/29 £m |
|---|---|---|---|---|---|
| Opening HRACFR - 1st April | 286.457 | 277.052 | 263.044 | 257.503 | 252.313 |
| New Borrowing in Year | 0 | 0 | 0 | 0 | 0 |
| Capital Receipts Used to Repay Debt | (6.701) | (11.151) | (2.679) | (2.727) | (0.278) |
| Revenue Contribution to Repay Debt. | (2.705) | (2.857) | (2.862) | (2.463) | (2.463) |
| Closing HRACFR - 31st March. | 277.052 | 263.044 | 257.503 | 252.313 | 249.572 |

8.44. Table 14 shows that in accordance with the Councils VDRP policy there is no new borrowing forecast over the MTFP. Debt will be repaid from the unrestricted RTB receipts and the revenue contributions.

## 9. Working Balances

9.1. A prudent level of working balances along with the appropriate application of HRA reserves should be part of the budget setting process. Section 25 of the Local Government Act 2003 places a duty on the Section 151 Officer to report on the adequacy of general and earmarked reserves.

9.2. The Corporate Director of Finance and Resources has reviewed the level of working balances and recommends an increase to £12m which approximately 10% or rental income. It can be seen from Table 2 above that the forecast levels of working balances greatly exceed the balance required.

9.3. The minimum level of working balance is in place to cope with unpredictable circumstances which cannot be addressed by management and policy action within the year.

## 10. Other options considered in making recommendations

10.1. There are no options being proposed

## 11. Consideration of Risk

11.1. There have been several slippages against previous capital programmes due to a range of issues including external contractors going into receiverships, timescales for internal decision making to support procurement and on the recruitment of additional capacity to help manage and deliver works. To mitigate against these risks, the Council has entered contracts with two large external contractors as a control to a contractor ceasing training. Procurement, governance, and recruitment are all areas within the Council’s improvement plan which should address this concern.

11.2. There could be delays with the newbuild programme because of the requirement to carry out extensive consultations and the need to obtain planning approval. Each new build project is at a different stage of feasibility and development and work is undertaken with external partners to use their expertise as required to develop a timely and effective delivery programme.

11.3. The draft 2025/26 Housing Capital Programme is considerably larger than that delivered in recent years. There is a risk that due to the high volume of work being planned that there could be considerable slippage due to the availability of approved building contractors.

11.4. There are also risks in respect to the changes in the RTB rules. Projects can only be financed 100% by restricted RTB receipts for 2024/25 and 2025/26. If the planned newbuild expenditure slips into 2026/27, then only 50% of the expenditure can be financed by restricted RTB receipts and the remainder must be financed by DRF

11.5. To mitigate these impacts, contingency plans are drawn up to explore alternative funding options. Regular reviews and proactive financial and operational management are also in place to ensure delivery of capital schemes on time. There is also a process of continual evaluation of the viability of delivery within the timescales once approval process has taken place. Further thought can be given to increase the number of acquisitions undertaken as an alternative for new build to increase the number of council housing units

## 12. Equality Impact Assessment

12.1. Not required at this stage but will be.☒

12.2. An EIA is not required because any decisions relating to the draft budget proposals will be set out in further reports to Executive Board and Full Council in February 2025. Equality Impact Assessments are being carried out, where appropriate, for all relevant budget proposals and a summary will be provided with these reports.

## 13. Best Value Considerations, including consideration of Make or Buy where appropriate

13.1. Value for money is considered throughout the budget process in identifying budget savings and minimising growth items.

## 14. Commissioner comments

15.1 This HRA report is comprehensive, setting out clearly the basis for the proposed charges and budget. The risk section is noted and reflective of the current environment. These risks will need to be reviewed on an ongoing basis throughout the coming year to ensure there are appropriate steps being taken to mitigate the impact of these.

## 15. Finance colleague comments (including implications and value for money/VAT)

15.1. The financial implications are set out in full in the body of the report.

## 16. Legal comments

16.1. The proposals within this report form part of the Council's Budget and Policy Framework and approval by Full Council is therefore required once recommended by the executive.

The provision of housing accommodation is set out in Part II of the Housing Act 1985 (the 1985 Act). Statutory requirements regarding the keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989 (the 1989 Act). The provisions include a duty, under Section 76 of the 1989 Act, to budget to prevent a debit balance on the HRA and to implement and review the budget. The 1989 Act places a duty on local housing authorities to: (i) to produce and make available for public inspection, an annual budget for their HRA, which avoids a deficit; (ii) to review and if necessary, revise that budget from time to time and (iii) to take all reasonably practical steps to avoid an end of year deficit.

On 10 November 2020 the Ministry of Housing, Communities and Local Government (MHCLG) published guidance on the operation of the Housing Revenue Account ring-fence. This guidance updates and replaces Circular 8/95 published by the former Department of the Environment (DoE). This guidance restated established policy for the HRA and introduced no new issues of principle. It highlights the need to be fair to both tenants and council taxpayers and that there should be a fair and transparent apportionment of costs between the HRA and General Fund.

For rents set from 1 April 2024 onwards the 2020 Rent Standard applies in full. As detailed in the body of the report the Government has recently undertaken a consultation on a social housing rent policy from 1 April 2026. This consultation closed on the 23 December 2024.

The basis for setting rent is set out under Section 24 of the 1985 Act which provides that a local authority must make such reasonable charges as they determine for the tenancy occupation of their houses. The Council has a broad discretion in setting such reasonable rents and other charges as it may determine and must from time-to-time review rents and make such changes as circumstances may require.

Changes to the Right to Buy Scheme are set out in the body of the report.

Beth Brown, Director of Legal and Governance, 31 January 2025

## 17. Procurement comments

17.1. There are no procurement issues in this report.

## 18. Crime and Disorder Implications (If Applicable)

18.1. There are no crime and disorder issues in this report.

## 19. Social value considerations (If Applicable)

19.1. There are no social value issues in this report

## 20. Data Protection Impact Assessment

20.1. Not applicable