

Dear Member

HOUSING AND COMMUNITIES OVERVIEW AND SCRUTINY PANEL - WEDNESDAY, 22ND JANUARY, 2025

Please find attached, for consideration at the next meeting of the Housing and Communities Overview and Scrutiny Panel, taking place on Wednesday, 22nd January, 2025, the following reports that were unavailable when the agenda was published.

Agenda No Item

5. **Community Grants 2025/26 (Pages 3 - 30)**

To consider the recommendations for Community Grant allocation for 2025/26 from the Task and Finish Group.

10. **Housing Revenue Account Budget and the Housing Public Sector Capital Expenditure Programme for 2025/26 (Pages 31 - 60)**

To consider the HRA budget and the housing public sector capital expenditure programme for 2025/26.

Yours sincerely

Democratic Services

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Housing and Communities Overview and Scrutiny Panel – 22 January 2025

Community grant funding 2025/26

Purpose	For review and recommendation
Classification	Public
Executive Summary	<p>The Council’s Corporate Plan prioritises the delivery of an annual Community Grants scheme to support organisations delivering wide-ranging services to different communities and to meet the needs of vulnerable residents in the district through the award of discretionary revenue and capital grants to support organisations which meet the Council’s objectives.</p> <p>Changes to the Community Grants application and decision-making process were implemented in 2024, ahead of this year’s process. This report proposes the award of financial grants following this new process.</p> <p>The proposals in this report include total awards of community revenue grants of £250,000, summarised as:</p> <ul style="list-style-type: none"> a) An increase to Councillor Community Engagement Grants from £600 to £1,000, totalling £48,000 from April 2025 b) Revenue grants of £152,500, of which £67,000 are longer term awards. c) The proposed budget for 2025/26 for the Community Transport schemes of £44,359, and, d) If taken forward, the set-up cost of a Community Lottery of £5,000. <p>An allocation of up to £100,000 is available toward capital grant applications. The proposals in this report include total awards of community capital grants of:</p> <ul style="list-style-type: none"> e) £77,871 <p>This report details the consideration of adopting a community lottery scheme to provide further</p>

	funding opportunities to local organisations.
Recommendations	<p>That the Panel make a recommendation to Cabinet:</p> <ol style="list-style-type: none"> 1. On the proposal to increase Councillor Community Engagement Grants from £600 to £1,000 a year from 1 April 2025 2. To approve Community grants totalling £152,500 in revenue grants and £77,871 in capital grants, as detailed in Appendix 1, for inclusion in the Medium-Term Financial Plan and proposed budget for 2025/26 3. To approve the Community Transport grants totalling £44,359, as set out in paragraph 28. <p>That the Panel further consider the adoption of a Community Lottery scheme, making a recommendation to Cabinet to either:</p> <ol style="list-style-type: none"> 1. Request Officers produce a detailed report on how a community lottery scheme could be successfully run in the district, and the short to long-term implications for the Council, and for the report to progress through the Council’s decision-making process. 2. Not advance the scheme at the current time.
Reasons for recommendation	To complete the Community Grants process for 2025/26.
Wards	All
Portfolio Holder	Councillor Dan Poole – Housing and Communities
Strategic Director	Richard Knott – Strategic Director Housing and Communities
Officer Contact	Ryan Stevens Service Manager Revenues, Benefits and Customer Services 02380 285693 Ryan.stevens@nfdc.gov.uk

Introduction and background

1. The purpose of this report is to consider the recommendations of the Community Grants Task and Finish Group. Community grants are distributed to support groups and organisations located within the district who support our residents and communities. The Council is committed to supporting organisations through the Community Grants programme, which is a key priority in the Corporate Plan.
2. At the Budget Speech in 2024 the Leader announced an additional £40,000 for community grants to provide extra support to our communities. The Community Grants Task and Finish Group was tasked to consider and recommend how to utilise this additional budget, with the overall budget for 2025/26 being £250,000, which includes revenue, community transport grants and Councillor Community Engagement grants, which has been fully allocated and includes the full £40,000 additional support, and up to £100,000 for capital community grants, if required.
3. A full review of the Community Grants scheme was undertaken in 2024, with the revised eligibility criteria and process discussed at Housing and Communities Overview and Scrutiny Panel on 17 July 2024 with final recommendations for change being approved by Cabinet on 7 August 2024.

Councillor Community Engagement Grants

4. Councillors currently have an annual Community Engagement grant of £600 each to award to local organisations that support the needs within their communities, with any unspent budget being carried over to the following year. Grant awards tend to be of smaller amounts, often therefore being ineligible for grant applications, including the Council's own Community Grant scheme where the minimum revenue grant award has increased from £1,000 to £3,000. The level of grant has not been reviewed in recent years and was not reviewed when the number of Councillors reduced from 60 to 48 in 2023. The Task and Finish Group discussed the value of Councillor Community Engagement grants and that all Members should be proactive and be aware of local needs and groups and organisations to support.
5. The Group discussed options, including maintaining the existing amount of £600 and increasing the grant by varying amounts. The Group were supportive of utilising £19,200 of the £40,000 additional budget to increase the Councillor Community Engagement grant from £600 to £1,000 a year. Members were reminded to actively engage with their communities and that

Officers are available to provide advice, information, and support, if required, to facilitate distributing their grant budget.

6. The Group recommend increasing the Councillor Community Engagement Grant from £600 to £1,000 from 1 April 2025.

Community Grants

7. On 25 and 26 November 2024 the Community Grants Task and Finish Group met to consider the revenue and capital Community Grant applications received for the 2025/26 financial year. We received 24 revenue applications and 10 capital applications, from a range of organisations across the district, including several new organisations. Social media was used to promote the programme with the application window being open for two months.
8. The value of revenue grant applications totalled £277,163 (£617,199 in 2023) and capital grant applications totalled £86,371 (£243,640 in 2023).
9. Following a full review of the Community Grants programme earlier in 2024, new eligibility criteria and administration processes were implemented to reduce administration.

Revenue grants – the process

10. In accordance with the revised process, applications were scored against a matrix and placed into one of three bands, A, B and C. The matrix comprised of various categories, including, how the application demonstrated:
 - value for money
 - a local need
 - that it supports the Council’s corporate priorities
 - that funding is required
 - alternative or additional funding raising activities had been explored
 - that it supports Council services
 - the area of the district covered
 - if the service is duplicated elsewhere
11. Applications scoring highly and placed in Band A are key partners who work closely with the Council and support our services and communities. Longer term awards of up to 3 years will be granted to provide financial security and enable future planning, with grants paid annually. Officers will develop Service Level Agreements, with annual reviews, and include objectives and targets, which will be regularly monitored and reviewed at partnership meetings. The recipients will report annually to Scrutiny and Overview Panel.

12. Applications in Band B were invited to present to the Task and Finish Group and provide details of their accounts, and how their application would meet the needs of, and benefit or support, residents in the district. Applicants were also asked to explain how their funding request linked to the priorities set out in the Council's Corporate Plan and their outcomes and key deliverables, with Members asking further questions about their application. Following the presentations, the Task and Finish Group thoroughly discussed and reviewed the applications. In formulating a recommendation for each grant request, members considered the agreed criteria, the Council's Corporate Plan priorities, and the value for money being offered. Due to the number and value of applications the Group had to make difficult decisions and in a number of instances the Group recommended grants of less than the amount being requested so as to support as many groups as possible and to recognise the benefits and work of the individual grant applications.
13. Applications in Band C did not meet the eligibility criteria and were not considered by the Task and Finish Group.
- 14. The Group recommendations of each grant application are summarised in Appendix 1, with further details in Appendix 2.**

Capital grants – the process

15. In accordance with the new process, applications were scored against a matrix of criteria which comprised of various categories, including, how the application demonstrated:
 - value for money
 - community benefits
 - it supports the Council's corporate priorities
 - if there is community support
 - if the project is deliverable
 - if the project supports key infrastructure in the community
 - if the project will be used by the wider community
 - how the project positively supports climate change
16. The Task and Finish group fully discussed and considered the information provided in the applications and the scoring matrix to make their recommendations.
- 17. The Group's recommendations for each grant application are summarised in Appendix 1, with further details in Appendix 2.**

Community Transport grants

18. The Task and Finish Group also considered community transport grants. There are currently 3 schemes the Council supports in partnership with Hampshire County Council for transportation projects, all funded from the overall annual budget for Community Grants. Community First Wessex administer the three schemes, which are:

- Wheels to work – This is a moped loan service which aims to help people aged between 16 and 25 with no access to suitable transport get to work, apprenticeships, training, or job interviews.

Current NFDC grant funding is £7,617, match funded by HCC. The contract is ending on 31 March 2025 and HCC, at the time of the Task and Finish Group meeting, had decided not to provide funding to extend this service.

- Call and Go – This is a bookable community transport service for anyone whose transport needs are not met by public bus services to go, for example, shopping, to visit a library or to see family and friends. Drivers will assist with carrying shopping and wheelchair accessible minibuses collect users from their home at a pre-arranged time. The cost will vary according to the distance travelled.

Current NFDC funding is £29,409, match funded by HCC. The contract is being extended and will end on 31 August 2025. HCC have stated that a procurement exercise will be undertaken to extend this contract.

- Group Hire – This scheme provides affordable wheelchair accessible minibuses to hire for voluntary or charitable organisations for a period of 3 hours to 1 week. The cost of hire depends on the distance travelled and duration of hire period.

Current NFDC grant funding is £14,080, match funded by HCC. The contract is being extended and will end on 31 August 2025. HCC have stated that a procurement exercise will be undertaken to extend this contract.

19. The total current funding in 2024/25 for the three community transport schemes is £51,106.

20. Following an HCC review and subsequent consultation due to the need to reduce budgets, HCC undertook a review of the Community Transport Schemes, as part of their wider budgetary review.

Following this, HCC have initially decided to continue the contracts for Call & Go and Group Hire, but not for Wheels to Work. Due to the general election, there was insufficient time to complete the procurement process for Call and Go and Group Hire so both of these contracts have been extended to 31 August 2025 to allow time to conclude procurement and the award of the new contracts.

21. The Group reviewed the numbers using the three schemes, with Call and Go and Group Hire recovering following the pandemic, with both having over 5,000 passengers in 2023/24.
22. The Group was of the view that NFDC should maintain the same level of funding to support our communities, especially those in rural areas with limited transport links, for the Call and Go and Group Hire service.
23. The Group considered the Wheels to Work scheme and the decision of HCC to end their funding for this scheme. The Group considered three options; to increase funding to mitigate HCC's reduction in funding, to maintain the existing funding level and work with Community First to obtain additional alternative funding, or to end the funding. The Group considered the usage of the scheme, which was 14 users since 1 April 2024, and that the funding could be better utilised for revenue community grant awards to support a greater number of local organisations and residents. However, since the Task and Finish met and made their recommendations, HCC have reviewed their decision and confirmed that their funding will now be extended to 31 August 2025, in line with the other community transport schemes. Should the Council wish to support this scheme, the funding required is £3,237.34; however, all available funding has been fully allocated so there is no residual funding to support this scheme.
24. The recommended funding allocation is within the annual budget available and is for the whole of 2025/26. When the new contracts are awarded from 1 September 2025, the grants awarded will be within these sums, i.e. there will be no increase. Should, for whatever reason, the contract not be extended then the grants are pro-rata'd accordingly.
25. **The Group recommend the following:**
 - **Funding for Call & Go for 2025/26 to be £29,998**
 - **Funding for Group Hire for 2025/26 to be £14,361**

Community Lottery

26. The report approved by Cabinet on 7 August 2024 recommended the Community Grants Task and Finish Group explore and consider how a Community Lottery funded scheme could run alongside the Community Grant programme to provide further funding opportunities and support to local organisations across the district.
27. The Group received a detailed presentation from Gatherwell, including a question and answer session. Gatherwell are regulated by the Gambling Commission and operate regulated Community Lottery schemes in over 120 local authorities across the country, including several in Hampshire, which “support good causes raising money in the community”. Details were provided on how the scheme operates, including the allocation of the £1 ticket income which distributes 60% to good causes, 18.2% to prizes, 18.2% for running costs and 3.6% VAT (which can be claimed back by the Council). Weekly prizes range from free tickets and £25.00, up to £25,000, with no risk to the Council to fund any of the prizes, no matter how many tickets are sold.
28. The 60% allocated to good causes could be split so that, for example, 50% is distributed to nominated good causes and 10% retained by the Council to distribute. Benefitting organisations must meet specific eligibility criteria, determined and decided by the Council, before being accepted and included into the scheme.
29. The scheme includes safeguards, such as setting maximum ticket purchase limits and monthly payments, and it is widely accepted across the charity landscape that participants are primarily seeking to support a particular organisation or range of charities rather than seeking to win a prize. The Gambling Commission states that society lottery schemes are low risk.
30. Once accepted into the scheme, local organisations are encouraged to market and actively promote the scheme to increase their funding. Based on our adult population size and estimated participation Gatherwell predict approximately £65,000 could be raised annually to support local organisations, with payments being made monthly to organisations.
31. As requested by the Group, Officers contacted other local authorities who administer a community lottery scheme which included Havant Borough Council, Wealden District Council and North West Leicestershire District Council, who all reported positive responses, recognising the additional support provided to local organisations in their communities. Acknowledgement was given to the initial Officer time to set-up the scheme, which can be significant, but the ongoing administration burden is low with Gatherwell, or other

provider, undertaking day-to-day operations, developing and maintaining the webpage and handling all customer support regarding notifying winners and payment queries.

32. The set-up cost is £5,000 with ongoing annual costs of circa £800, which could be funded from the VAT being reclaimed. The lottery provider supply resources, including promotional materials.
33. The Group considered the merits of a Community Lottery scheme and were supportive of the principal, recognising the additional support to local organisations and groups that benefit our communities and residents, noting the competitiveness and resource requirements of applying for grants, and to supplement our existing Community Grants scheme.
- 34. The Group recommend that Panel further consider the option of a Community Lottery scheme to run alongside the existing community grants scheme.**

Corporate plan priorities

35. The contents of this report support the key priorities of the Council's Corporate Plan by providing grants to organisations that support and meet the needs of the district's communities and vulnerable people and working closely with key partners to help resolve issues, including those associated with cost of living, homelessness, and health and wellbeing, as well as supporting vibrant arts and culture.

Options appraisal

36. Details of the options and discussions are included in the paragraphs above.

Financial and resource implications

37. The proposed recommendations of this report are included in the overall budget allocated to community grants of £350,000, of which £250,000 is allocated to revenue projects, which has been fully allocated and funded via the general account, and up to £100,000 to capital projects, funded from reserves.
38. The proposals in this report include total awards of community grants of £327,730, summarised as:
 - f) An increase to Councillor Community Engagement Grants from £600 to £1,000, totalling £48,000 from April 2025
 - g) Revenue grants of £152,500, of which £67,000 are longer term awards
 - h) Capital grants of £77,871

- i) The proposed budget for 2025/26 for the Community Transport schemes of £44,359, and,
- j) If taken forward, the set-up cost of a Community Lottery of £5,000. The community lottery will generate additional funding to be distributed to local organisations, with some Officer time required.

Legal implications

39. There are no legal implications arising directly from this report. However, should a Community Lottery be adopted compliance with the relevant rules and regulations with the Gambling Commission will require review and implementation.

Risk assessment

40. There are no risk assessments required.

Environmental / Climate and nature implications

41. There are no significant environmental or climate and nature implications arising from this report, although applicants to community grants did have to provide details of their activities to support the Council's commitment to climate sustainability, such as recycling bikes and making buildings more energy efficient.

Equalities implications

42. Our Community Grants programme continues to support a wide range of organisations across the district that support, engage and benefit our diverse communities and residents, including those with mental health and disabilities, and vulnerable households. Applicants have to demonstrate through the application form and process how corporate priorities will be met, for example supporting residents with the greatest need.

Crime and disorder implications

43. There are no crime and disorder implications directly arising from this report. However, several of the organisations proposed to receive grant funding support ex-offenders, and vulnerable people to sustain accommodation and maximise income, and work with communities and partners to reduce crime.
44. It is a widely held view that providing support to these groups increases stability and positive behaviours, as well as reducing the likelihood of people falling victim to crime.

Data protection / Information governance / ICT implications

45. There are no data protection, information governance or ICT implications arising from this report.

Appendices

Appendix 1 – Details of grant applications and award recommendations

Appendix 2 – Summary of recommendations

Background Papers:

Appendix 1 – Community grant applications

Revenue Grants - Band A

ITEM	APPLICANT	AMOUNT REQUESTED	RECOMMENDATION	2024/25 AWARD
1	Community First Wessex	35,000	30,000	35,000
2	New Forest Disability Information Service	5,000	5,000	17,000
3	The Crossings	10,000	10,000	8,000
4	The Handy Trust	10,000	10,000	5,000
5	Youth and Families Matter	12,000	12,000	9,500
Total		72,000	67,000	

Revenue Grants - Band B

ITEM	APPLICANT	AMOUNT REQUESTED	RECOMMENDATION	2024/25 AWARD
6	Families Matter	5,000	5,000	5,000
7	Forest Forge	20,000	7,500	7,000
8	Hammersley Homes	25,000	3,000	4,000
9	Hampshire Cultural Trust (Forest Arts)	10,000	10,000	7,500
10	Helping Older people	20,000	10,000	0
11	Honeypot Childrens Charity	11,516	6,000	5,000
12	Lyndhurst & District Community Association	5,000	0	N/A
13	15 TH New Forest Milford and Keyhaven Sea Scouts	3,000	0	N/A
14	New Forest Basics Bank	3,500	3,500	5,000
15	New Forest Bike Project	5,000	3,000	1,000
16	New Forest Mencap	10,000	5,000	5,000
17	SPUD	15,000	7,500	5,000
18	St Barbe	12,000	3,000	5,000
19	The Branch	8,000	4,000	N/A
20	The Dementia Care Club	15,875	7,500	N/A
21	Wessex Cancer Trust	10,780	3,000	0
22	Youth in Romsey	19,992	7,500	N/A
Total		£199,663	£85,500	

Revenue Grants - Band C

ITEM	APPLICANT	AMOUNT REQUESTED	RECOMMENDATION	2024/25 AWARD
23	Fawley and District Care Group	3,000	0	N/A
24	Marchwood Mens Shed	2,500	0	0

B. CAPITAL GRANTS

ITEM	APPLICANT	AMOUNT REQUESTED	RECOMMENDATION
1	Cadnam Cricket Club	10,000	10,000
2	East Boldre Memorial Hall	25,000	25,000
3	Fluid Motion	4,218	4,218
4	Hants Cultural Trust	1,000	0
5	Lymington Cricket Club	5,000	0
6	New Forest Disability Information Service	5,000	2,500
7	Paulton's Cricket Club	24,000	24,000
8	Thorney Hill Community Centre	6,500	6,500
9	Three Score Club	2,000	2,000
10	Totton and Eling Cricket Club	3,653	3,653
Total		£86,371	£77,871

Appendix 2 – Summary of recommendations

A. Revenue Grants – Band A

1	APPLICANT	SUMMARY
	Community First Wessex (CFW)	CFW provides support across the New Forest with the aim to create a thriving and successful voluntary sector. This involves activities such as DBS checks, training, funding advice, volunteer recruitment, assistance with setting up and operating groups, and building the voluntary sector capacity. CFW acts as a voice for the sector and, in partnership with other groups, is involved in many working groups across the district to deliver a range of projects that support residents.

Request

£35,000

Recommendation

That a grant of £30,000 be given

Reason for decision:

CFW contributes to the Council's priorities by supporting organisations and numerous groups, including to support employment, young carers, training, and skill development, advising groups on economic development, mental health and delivering services digitally. The Group were pleased to hear that CFW worked with numerous organisations, such as the Local Childrens Partnership, and helped groups secure additional funding. CFW has contributed to Community Engagement conversations and the Group recognised the improved working relationship with CFW and developing this further to support our communities.

2	APPLICANT	SUMMARY
	New Forest Disability Information Service (NFDIS)	NFDIS provides specialised, free, impartial, and confidential disability related information, advice, and guidance to anyone with a disability who lives or works within the New Forest area. NFDIS are the only organisation within the New Forest that support and represent the most vulnerable disabled clients at welfare benefit tribunals. NFDIS specialise in providing mobility aids and equipment, and collaborate with community and other organisations to help people maximise their wellbeing and live safely and as independently as possible in their own home.

Request

£5,000

Recommendation

That a grant of £5,000 be given.

Reason for decision:

NFDIS is the only organisation of its kind in the district and provides an essential service to the vulnerable in the face of ever-increasing demand and supports the council in many ways, including with the Just Got Home, working from Lymington and Fordingbridge hospital, and Independence Matters projects. The Group acknowledged the great work of NFDIS in supporting vulnerable and disabled residents and the proposed expansion of outreach work.

3	APPLICANT	SUMMARY
	The Crossings	The Crossings offer support and help to homeless people and those at risk of homelessness and marginalised in the Waterside area. They operate three drop-in centres which provide a welcoming, non-judgemental space in which people can feel safe to discuss their current issues, which can be multiple and complex. The Crossings support people to make Homesearch, Universal Credit or other benefits applications, some of whom struggle with literacy or numeracy, or they are digitally excluded, and provide signposting advice and information.

Request

£10,000

Recommendation

That a grant of £10,000 be given.

Reason for decision:

The Group recognised the valuable work to support vulnerable people and the joined up working with our Homelessness Teams where there is attendance and collaboration at drop-ins to support residents with multiple issues around housing. The grant will enable The Crossings to continue their weekly drop-ins, attend Jobcentre Plus in Hythe, and expand their home visits capacity. The longer-term aim is for The Crossings to expand beyond the Waterside which The Group fully support.

4	APPLICANT	SUMMARY
	The Handy Trust	The Handy Trust provides full youth support services to children and young people aged up to 25. They work in the Waterside area offering a 24/7 service at home, in schools, providing drop-ins and advice and support on relationship, sex and drug issues, as well as in the community with supporting families, and provide holiday clubs and run youth clubs.

Request

£10,000

Recommendation

That a grant of £10,000 be given.

Reason for decision:

The Group recognised the value of the grant and the huge work and outcomes achieved by The Handy Trust in supporting young people and families, including with education, activities, skills, mental health, and supporting those in crisis. The Handy Trust work with many other organisations, including Community Safety.

5	APPLICANT	SUMMARY
	Youth & Families Matter (YFM)	YFM is a small charity that works in Totton to improve the health and wellbeing of children, young people, and families whose lives are complex and impacted by many forms of disadvantage, mental illness, serious illness, addiction, or abuse.

Request

£12,000

Recommendation

That a grant of £12,000 be given.

Reason for decision:

YFM met the Council's objectives by assisting in the wellbeing of local people and supporting families, through working with young people and vulnerable families by a combination of support sessions, training, benefit applications, and groups. YFM actively work with many partner organisations, including schools, run a foodbank supports the Food Larder, with 30-40 households being supported each week, as well as providing support with fuel poverty, a warm space and works with the Council as part of the Cost of Living Steering Group.

Revenue Grants - Band B

6	APPLICANT	SUMMARY
	Families Matter	Families Matter is a small local charity based in Hythe which helps families in need in the Waterside area. They support parents through parenting classes and groups for parents and children with special needs, autism and mental health, and through a crisis, i.e. separation, domestic violence, behavioural problems. They work closely with local schools, supporting children and also run groups for people with dementia and their carers and for families with drug and/or alcohol addictions.

Request

£5,000

Recommendation

That a grant of £5,000 be given.

Reason for decision:

The organisation contributes to the Council’s priorities through assisting wellbeing of those in the district, working with vulnerable children and young people and parents, and low-income households. Families Matter work in partnership with other organisations, run parenting courses to those families struggling with their child’s anxiety or extreme angry behaviour, support elderly people with dementia, and their carers, with monthly groups. With an increasing demand, the grant would be used to continue this work, including commencing support to those affect by domestic violence.

7	APPLICANT	SUMMARY
	Forest Forge Theatre Company	Forest Forge is theatre that provides creative learning and outreach activities and tours to communities and schools across the New Forest with an emphasis on creative learning and using theatre to tackle wider social issues such as bullying and mental health. The organisation encourages participation in a variety of activities such as workshops; work experience and targeted outreach projects (e.g. teenagers).

Request

£20,000

Recommendation

That a grant of £7,500 be given.

Reason for decision:

Forest Forge provides creative learning activities across the district and contributes to community cohesion and wellbeing. It supports local business and provides experience for young people’s employability and seeks to be fully inclusive by engaging with all communities. It works in schools, tours a production about mental health, has a youth theatre with over 100 attending, and a group for over 55’s.

8	APPLICANT	SUMMARY
	Hammersley Homes	Hammersley Homes apply a person centred approach to provide emotional and practical support for people with mental health and aims to provide supported living accommodation for vulnerable adults so that they can live independently. They provide an outreach programme and aim to keep people out of hospital by providing support in their own home.

Request

£25,000

Recommendation

That a grant of £3,000 be given.

Reason for decision:

The Group supported Hammersley Homes ambitions and aims and the importance of the work they do with supporting vulnerable people, focusing on those with mental illness and their families, including the increased outreach work and partnership work. The funding will enable Hammersley Homes to continue their work whilst they seek to become more financially sustainable.

9	APPLICANT	SUMMARY
	Hampshire Cultural Trust (Forest Arts Centre)	Forest Arts Centre is part of FOLIO, a collaboration of arts and heritage organisations, and provides a leading venue for quality live music, comedy, theatre, arts, activities, and events based in New Milton and has an extensive outreach programme. The Centre's priorities include providing high quality cultural programming and community benefit and targets working with schools, adults with learning disabilities, and older people with dementia or Parkinson's disease.

Request

£10,000

Recommendation

That a grant of £10,000 be given.

Reason for decision:

Forest Arts contributes to the Council's priorities of delivering a vibrant arts and culture with events, activities, and projects and by helping local business grow by supporting artists and attracting visitors to the area. The venue also seeks to provide accessible and affordable space for hire, e.g., Hampshire Autism, host activities and events, offering opportunities to showcase artistic output at affordable prices. Forest Arts seeks to improve mental and physical wellbeing and reduce isolation, for example Dance for Parkinson's, and seeks to develop outreach work, as well as a LGBTQ+ youth drop-in. The grant is ring-fenced to the Centre, ensuring our residents benefit.

10	APPLICANT	SUMMARY
	Helping Older People	Helping Older People provide free support, advice and befriending services, including home visits, as well as running two charity shops.

Request

£20,000

Recommendation

That a grant of £10,000 be given.

Reason for decision:

The Group considered the demographics of the district and recognised the work undertaken to support the elderly and expanding their reach across the district, including to reduce isolation, support those with limited mobility or capacity, and working with partners to receive and provide referrals, and that the grant will be used to provide additional support.

11	APPLICANT	SUMMARY
	Honeypot Childrens Charity	Honeypot Childrens Charity support young carers aged between 5 and 12, including offering respite breaks at their home.

Request

£11,516

Recommendation

That a grant of £6,000 be given.

Reason for decision:

The Group were supportive of Honeypot and their plans to reach out to more young carers, a cohort who have very limited support available from other sources and often struggle with their mental health, stress, anxiety and social isolation. Honeypot Childrens Charity work with other organisations and work with schools to utilise the building during term times.

12	APPLICANT	SUMMARY
	Lyndhurst and District Community Association	Lyndhurst and District Community Centre has halls, meeting rooms and a charity shop that serve the local community.

Request

£5,000

Recommendation

That no grant be given.

Reason for decision:

Although the Group recognise the value of community buildings and providing a facility for external groups to use, it considered that when considering other grant applicants and the budget available, funding could be utilised elsewhere to directly support organisations that benefit our residents.

13	APPLICANT	SUMMARY
	15 TH New Forest Milford and Keyhaven Sea Scouts	The 15 th New Forest Milford and Keyhaven Sea Scouts group provide young people with activities and opportunities for fun, development, and skills for life.

Request

£3,000

Recommendation

That no grant be given.

Reason for decision:

The Group were supportive of the group but considered the recent grant received from Milford Parish Council and with additional fund raising activities the relatively small amount requested could be achieved, with priority therefore being directed to other applications.

14	APPLICANT	SUMMARY
	New Forest Basics Bank	New Forest Basics Bank operate a Food Bank from Lymington which supports the surrounding areas, including schools and community hubs.

Request

£3,500

Recommendation

That a grant of £3,500 be given.

Reason for decision:

The Group recognised the work of the volunteers and the support given to vulnerable families, especially with the cost of living, and the work New Forest Basics Bank do with schools and supporting the Food Larders with additional supplies and resources, as well as working with partners and providing additional support and provisions.

15	APPLICANT	SUMMARY
	New Forest Bike Project (NFBP)	NFBP is a not-for-profit Community Interest Company that re-cycles bikes and sells them at reduced rates, benefiting residents by offering an affordable source of bikes and parts, especially to those on a low income, to keep people on the road, fit and healthy, reducing the need for car journeys and the impact on the environment. It provides opportunities and a place to help those with issues in their lives improve their confidence, self-esteem, practical and social skills.

Request

£5,000

Recommendation

That a grant of £3,000 be given.

Reason for decision:

The Group support the work of this project, especially as part of the greener agenda and to encourage recycling and cycling, providing more affordable access to bicycles for households struggling with the cost of transport, as well as providing volunteering opportunities and training.

	APPLICANT	SUMMARY
16	New Forest Mencap	New Forest Mencap support residents with learning disabilities and their families, including through sessions and activities, and providing employment and volunteering opportunities, advice and information, and operate a charity shop.

Request

£10,000

Recommendation

That a grant of £5,000 be given.

Reason for decision:

The Group recognised the work Mencap do to support those with learning disabilities and the work with partner organisations.

17	APPLICANT	SUMMARY
	SPUD	SPUD is an arts and education charity that creates opportunities for people to creatively engage with art, architecture, design, and the environment. SPUD supports people works with and support various groups including, youth, disabled, autism, LGBTQ+ and dementia.

Request

£15,000

Recommendation

That a grant of £7,500 be given

Reason for decision:

The Group support the work SPUD does with vulnerable groups, which aligns closely with the 'Culture in Common' programme that the Council is involved in delivering across the district. SPUD's work with residents with dementia and with young people to support their mental wellbeing was noted, as was their outreach programme that builds on the community partnerships. The Group supports the work SPUD does, acknowledging the increase in utility costs, and was impressed with the impact of SPUD. With limited funding, the Group unfortunately could not support the full grant request.

18	APPLICANT	SUMMARY
	St Barbe Museum and Art Gallery	St Barbe is a museum and art gallery providing a cultural hub and educational facilities on the heritage, culture, history, and character of the New Forest. It is part of FOLIO, and provides learning services for schools and interest groups, including workshops, exhibitions, and curriculum-based activities. St Barbe also support groups, e.g. an Elderly Programme for “memories” and works with low-income families, e.g. holiday workshops and activities and Food programme.

Request

£12,000

Recommendation

That a grant of £3,000 be given.

Reason for decision:

St Barbe supports NFDC priorities through assisting with the wellbeing of those in the district, as well as attracting visitors. St Barbe provide a wide range of activities, for all ages, and is a vibrant community hub, working with schools, disabled groups, those suffering with dementia or autism, holiday programmes, and a Young Curator group, as well as working with apprentices as part of the government Kickstart programme. The Group were very supportive of the outreach programmes and the summer camps for children eligible for free school meals. Whilst the Group fully supported its work, regrettably pressures on budgets meant that it was not able to recommend meeting the grant request in full.

19	APPLICANT	SUMMARY
	The Branch	The Branch is a multi-purpose community hub in Fordingbridge, providing an inclusive and accessible affordable café which facilitates the provision of events, wellbeing and support.

Request

£8,000

Recommendation

That a grant of £4,000 be given.

Reason for decision:

The Group were supportive of community spaces which bring together communities and organisations to support residents and were encouraged by the plans to expand the opening hours and support available, including volunteer experience and developing further networks of partners.

20	APPLICANT	SUMMARY
	The Dementia Care Hub	The Dementia Care Hub provide a comprehensive service to support families and people living with dementia in community settings, including education, awareness, advice and information and support for carers. Their aim is to ensure families and people living with dementia live as well as they can for as long as possible, at home.

Request

£15,875

Recommendation

That a grant of £7,500 be given.

Reason for decision:

The Group recognised the need for supporting those with dementia and the work of The Dementia Care Hub and the range of activities undertaken, such as therapeutic programmes for carers, onset carer groups, art classes, and social and wellbeing groups, as well as working with partner organisations.

21	APPLICANT	SUMMARY
	Wessex Cancer Trust	Wessex Cancer Trust provide emotional support to people, and their families, affected by cancer, including counselling, therapy, emotional support groups and a befriending service.

Request

£21,000

Recommendation

That a grant of £3,000 be given.

Reason for decision:

The Group recognised the need for supporting those affected by cancer, the work of Wessex Cancer Trust and the number of people supported in the previous year. Plans to reach more people was welcomed by the Group.

22	APPLICANT	SUMMARY
	Youth in Romsey	Youth in Romsey provide services for young people aged between 5 and 25, including counselling, therapeutic support, youth groups, sexual health, career advice, and support groups for those with anxiety or low self-esteem.

Request

£19,992

Recommendation

That a grant of £7,500 be given.

Reason for decision:

The Group were supportive of the work of Youth in Romsey and recognised the need to support young people, particularly with mental health, self-harm and bereavement, and the increased demand and lack of support available. The Group were encouraged by the partnership working and the further development of networks, and had assurances that any grant will be used to support residents of the New Forest.

B. Capital Grants

1	APPLICANT	SUMMARY
	Cadnam Cricket Club	To improve the drainage, outfield and fencing of the cricket ground.

Total Cost	Other Funding	Request
£20,000	£10,000	£10,000

RECOMMENDATION:

That a grant of £10,000 be given.

Reason for decision:

The Group were supportive of improving the facilities to ensure the pitch can be used by all groups associated with the club.

2	APPLICANT	SUMMARY
	East Boldre Memorial Hall	To improve the existing building, including a new roof, create extra space, kitchen refit, improve storage, flooring and audio and visuals equipment for the stage.

Total Cost	Other Funding	Request
£60,660	£35,660	£25,000

RECOMMENDATION:

That a grant of £25,000 be given.

Reason for decision:

The Group recognise the Memorial Hall is a community asset in a rural area, with wide and extensive community use of the building which would be enhanced by the project and the environmental benefits, which would also support the financial sustainability of the building.

3	APPLICANT	SUMMARY
	Fluid Motion	Fluid Motion is a creative Hub in Totton seeking to improve the existing building, including accessibility, lighting, water, windows and to make better use of space.

Total Cost	Other Funding	Request
£8,345	£4,217	£4,218

RECOMMENDATION:

That a grant of £4,218 be given.

Reason for decision:

The Group were supportive of regenerating the building to provide a creative space for arts and crafts for use by a range of groups from across the community, including to support the mental health and wellbeing of young people.

4	APPLICANT	SUMMARY
	Hants Cultural Trust	Car park line painting and creation of additional parking spaces

Total Cost	Other Funding	Request
£1,896	£896	£1,000

RECOMMENDATION:

That no grant be given.

Reason for decision:

The Group considered that the application did not meet the corporate aims and could be secured from alternative funding streams.

5	APPLICANT	SUMMARY
	Lymington Cricket Club	New LED electronic scoreboard which is moveable and provides an instant update of scores

Total Cost	Other Funding	Request
£5,000	£0	£5,000

RECOMMENDATION:

That no grant be given.

Reason for decision:

The Group considered that 50% of the project cost had not been secured from other funding sources and therefore did not meet the eligibility criteria. Additionally, the Group considered that the scoreboard does not directly support or benefit residents, or increase participation, when judged against other bids.

6	APPLICANT	SUMMARY
	New Forest Disability Information Service	New secure storage unit for equipment

Total Cost	Other Funding	Request
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£5,000	£2,500	£2,500
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RECOMMENDATION:

That a grant of £2,500 be given.

Reason for decision:

The Group were supportive of the project to enable New Forest Disability Information Services to store additional items safely and securely, including those for sale, to support the organisation financially.

7	APPLICANT	SUMMARY
	Paultons Cricket Club	New training net facilities, including groundwork

Total Cost	Other Funding	Request
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£50,000	£26,000	£24,000
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RECOMMENDATION:

That a grant of £24,000 be given.

Reason for decision:

The Group were supportive of the project to provide safe, secure and fit for purpose dual lane training nets facilities for all members of the club

and the proposed partnership with a local school to increase junior participation.

8	APPLICANT	SUMMARY
	Thorney Hill Community Centre	To replace the existing play area equipment to provide a new and inclusive play area

Total Cost	Other Funding	Request
£13,071	£6,500	£6,500

RECOMMENDATION:

That a grant of £6,500 be given.

Reason for decision:

The Group were supportive of regenerating the play area in a rural area with a range of equipment, which was done in consultation with local residents, where opportunities for recreation are limited.

9	APPLICANT	SUMMARY
	Three Score Club	Floor renovation for the hall.

Total Cost	Other Funding	Request
£4,308	£2,308	£2,000

RECOMMENDATION:

That a grant of £2,000 be given.

Reason for decision:

The Group were supportive of the project and recognise the building is a community asset which is used extensively by the community which would be enhanced by the project.

10	APPLICANT	SUMMARY
	Totton and Eiling Cricket Club	New battery-operated lawn mower

Total Cost	Other Funding	Request
£7,307	£3,654	£3,653

RECOMMENDATION:

That a grant of £3,653 be given.

REASON FOR DECISION:

The Group were supportive of the project to provide better facilities and playing conditions, as well as to reduce carbon emissions and be more sustainable. The Group noted the partnership with Testwood School and the enhanced playing facilities of this project which should result in increased junior participation.

Housing and Communities Overview and Scrutiny Panel – 22 January 2025

Housing Revenue Account Budget and Housing Public Sector Capital Expenditure Programme 2025/26

Purpose	For review
Classification	Public
Executive Summary	<p>The report sets out a proposed balanced HRA budget for 2025/26, including decisions to be taken on dwelling rents, garage rents, shared ownership and service charge.</p> <p>The proposed budget includes uplifted maintenance budgets meaning that a total of £18.939 million will be spent on maintaining tenant’s properties in 2025/26. This proposal supports the Council’s Corporate Plan commitments and responsibilities to its tenants.</p> <p>Budgets of £1.5m and £1.87m are proposed for Fire Safety & Statutory compliance, and Decarbonisation respectively.</p> <p>The proposed Capital Programme totals £30.820m, including spend of £15.2m on the continued development and acquisition of new Council dwellings. The Capital programme requires external loan finance of £12.865m, with the cost of this borrowing covered in the medium-long term through the rents payable.</p> <p>The budget is supported by a 30 year business plan forecast and spending decisions taken within this proposed budget support the financial sustainability of the HRA over this longer term period through the protection of the minimum reserve balance and an appropriate level of interest cover.</p>
Recommendations	<p>That the Panel consider the HRA budget and housing public sector capital expenditure programme for 2025/26 which recommends:</p>

	<ol style="list-style-type: none"> 1. that from 07 April 2025, an increase in dwelling rents of 2.7% from the 2024/25 weekly rent level, in accordance with Government guidelines, be agreed; 2. that from 07 April 2025, an increase in garage rents of 2.7% from the 2024/25 weekly rent level be agreed; 3. that from 07 April 2025, an increase in shared ownership property rents of 3.2% from the 2024/25 weekly rent level, in accordance with Government guidelines of RPI +0.5%, be agreed, and that the weekly rent of one additional property sold under previous legislation be increased by 2.7%; 4. that from 07 April 2025 Service Charges will continue to reflect actual charges and following a reduction in window cleaning and utility costs, these respective charges will be reduced; 5. that the HRA budget, as set out in Appendix 1 of this report, be agreed; and 6. that a Housing Capital Programme to 2027/28, as set out in Appendix 4, be agreed.
Reasons for recommendation(s)	<p>The Current National agreed Rent Settlement allows for social housing rents to be increased by up to CPI +1%.</p> <p>To maximise rental income to continue to afford and provide energy efficient, safe and quality housing to our tenants, and to continue to provide new affordable housing it is recommended to set the rent increase to the maximum allowable and to confirm the capital programme to comply with statutory compliance regulations, Social Housing Regulation Act 2023 and the Council’s Corporate Plan commitments.</p>
Ward(s)	All

Portfolio Holder(s)	Cllr Steve Davies – Housing and Homelessness
Strategic Director(s)	Richard Knott – Strategic Director Housing and Communities
Officer Contact	<p>Alan Bethune Strategic Director Corporate Resources and Transformation (S151) 023 8028 5001 Email: alan.bethune@nfdc.gov.uk</p> <p>Richard Knott Strategic Director Housing and Communities 023 8028 5242 Email: Richard.knott@nfdc.gov.uk</p> <p>Kevin Green Principal Service Accountant 023 8028 5067 Email: kevin.green@nfdc.gov.uk</p>

Introduction and background

1. This report sets out the proposed Housing Revenue Account (HRA) budget, the proposed rent levels and other charges, the maintenance programme and a proposed Housing Public Sector Capital Programme for 2025/26 – 2027/28.
2. The proposed budgets for 2025/26 will be considered by tenants on the Tenants Involvement Group on 16 January 2025.
3. The proposed HRA budget is attached as **Appendix 1**, the detailed maintenance programme at **Appendix 2**, the 3-year forecast medium term financial position at **Appendix 3**, the proposed Capital programme at **Appendix 4** and a 30-year business plan briefing document at **Appendix 5**.

Key Issues

4. Housing Authorities and Registered Providers face on-going challenges to maintain the continuation of high-quality services to their tenants, ensuring that buildings are safe and free from hazards and delivering greater energy efficiency measures in the retrofitting of their stock, as well as delivering more affordable homes. Tenants, too, are facing challenges over rises in the cost of living. The proposal set out below to increase rents in line with the

Government's current recommendation is considered to strike the right balance to ensure that the Council continues to provide high quality services to tenants and that the necessary programmes of maintenance and repairs to council housing stock are undertaken, as well as delivering Decarbonisation targets and new affordable council homes in the district.

5. Members are asked to consider a number of financial issues for 2025/26.

Housing Rents

6. The proposed budget identifies a social rent increase of 2.7%, in line with the Government's policy rent increase guidelines. It is the sixth increase, following a previous four-year social rent reduction programme.
7. Following the rent increase, average weekly rents will be £125.78 for 2025/26. The actual increase will vary by property but will amount to an average increase of £3.31 per week. Over 60% of tenants are in receipt of benefits to help pay rent costs.

Service Charges – Hostels & Flat Accommodation

8. Service Charges are currently used by the Council as a method to recover Council Tax and domestic and communal energy costs from tenants where their personal usage costs are charged directly to the Council by the respective billing organisations. Service Charges are also used to recover some aspects of equipment provision, cleaning and communal heating and lighting costs from tenants, which are also incurred in their respective properties.
9. From April 2024 an additional 800 tenants were charged their share of communal and domestic costs, not previously recovered. All charges were also revised and disaggregated to reflect accurate charges, and which then could be adjusted more flexibly each year. Therefore 1,300 tenants now pay service charges to the Council and a review of costs and rates commences at the end of each calendar year to inform this report.
10. For 25/26 total service charge income will reduce by £27,000, reflecting 1 less rent week during the year, and a small reduction in costs to the council for providing a new window cleaning contract and a reduction in utility costs.

Garage Rents

11. It is proposed that garage rent charges are increased in 2025/26 by 2.7% (£0.37 per week) to £14.27 per week, plus VAT where applicable.

Planned Maintenance & Improvement Works

12. The report proposes total budgetary provision of £13.534 million for planned maintenance and improvement works to houses and estates. This, together with budgetary provision of £5.405 million for reactive maintenance works means that, in total, £18.939 million will be spent on tenant's properties in 2025/26. Details of the proposed works for 2025/26 and an indication of proposals for the following two years are set out in **Appendix 2**.

Fire Risk Assessment Works

13. Between 2022/23 and 2024/25 the Council will have spent £6.4 million on fire safety and statutory compliance matters. Further funding of £1.5 million has been allocated for 2025/26 to continue the requirements to address identified actions from Fire Risk Assessments (FRAs) in flat blocks.

Decarbonisation Programme

14. In 2023/24 work to establish the future upgrade programmes to deliver all homes to EPC C by 2030, and net zero carbon by 2050 were established. Measures required to each home within the Council stock to meet these targets is known and estimated costs applied up to 2050. 2024/25 was considered a transition year where planning the upgrade strategy began to be overtaken by the delivery of increased retrofit activity. Funding of £1.870 million is proposed for 2025/26, but total expenditure up to 2030 is likely to be £15 million, with a further £115 million required to meet net zero targets by 2050.
15. Expenditure in the next 3 years will likely be offset by securing a grant of up to £4.008 million from the Social Housing Decarbonisation Fund (SHDF).

HRA Income 2025/26

16. Estimated total income for 2025/26 is £1.009 million higher than the original budget for 2024/25. The income variations from the 2024/25 approved budget are set out below:

	Change	
	£000	Paragraph
Dwelling Rents	(834)	17
Non – Dwelling Rents	40	18
Service Charges	27	19
Contributions to Expenditure	(217)	20
Other Income	(25)	21
Total	(1,009)	

17. **Dwelling Rents (£834,000 increase)** – The proposed budget for 2025/26 includes the benefits of £913,000 arising from the proposed 2.7% rent increase, £118,000 from a net increase in property numbers from the development programme, including new shared ownership properties, offset by Right to Buy Sales, £23,000 from flexible rent and capped rent changes and £437,000 ongoing increased income arising during 2024/25. These additional items are offset by a reduction of £657,000 from the impact of the 2024/25 53-week rent year.
18. **Non - Dwelling Rents £40,000 reduction** – This income is derived from garages and rents of other housing land. The overall reduction reflects a £45,000 impact of reduced lettings due to voids and an ongoing project to provide a full options appraisal of all sites, and £14,000 from the impact of the 53-week rent year, offset by a £19,000 benefit arising from the proposed 2.7% increase in charges.
19. **Service Charges £27,000 reduction** – The service charges proposals detailed in Section 3 will result in reduced income of £27,000 largely due to income loss of £22,000 from the 53 rent week impact and £5,000 from reduced charges to reflect a reduction in costs to the council for providing a new window cleaning contract and a reduction in utility costs.
20. **Contributions to Expenditure (£217,000 increase)** – This additional income reflects an anticipated reimbursement from the Government of the additional costs arising from the National Insurance changes announced in the Budget and an £17,000 Government grant towards Tenant Satisfaction Measures Costs.
21. **Other Income (£25,000 increase)** – The Shared Amenities contribution from the General Fund has increased by £48,000 to

cover inflationary increases in costs and increases in expenditure on trees and other estate budgets. This is offset by a reduction in anticipated interest earnings of £23,000 due to lowering interest rates offset by increased opening balances brought forward from 2023/24.

HRA Expenditure 2025/26

22. Budgeted operating expenditure for 2025/26 is £2.027 million higher than the approved budget for 2024/25. After allowing for depreciation charges and transfers of £150,000 from reserves for specific earmarked projects, surplus resources available for making principal repayments on borrowing have reduced by £1.368 million to maintain a balanced Housing Revenue Account for the year, as detailed in paragraph 29 The major variations are set out below:

	Change	Paragraph
	£000	
Cyclical/Reactive Maintenance	833	23
General Management	523	24
Grounds Maintenance and Trees	152	25
Housing Schemes and Temporary Accommodation	48	26
Capital Financing Costs - Interest	471	27
Operating Expenditure	2,027	
Contribution to Capital – Supporting Housing Strategy	500	28
	2,527	
Capital Financing Costs – Principal	(1,368)	29
Total	1,159	

23. **Cyclical/Reactive Maintenance £833,000** – Increased maintenance budgets are principally due to pay and prices increases of £209,000, £216,000 for the continuation of additional supplies and hired services costs identified and reported during 24/25, an increase of £265,000 on cyclical maintenance due to the expansion of external cleaning works and other audit/maintenance contracts, the transfer of £56,000 of ICT costs previously allocated to General Management and the allocation of additional £47,000 depot asset maintenance costs./
24. **General Management £523,000** - Supervision and Management budgets will increase due to pay and prices increases of £349,000, by £478,000 for allocated costs from the Transformation Programme and by additional Corporate and Democratic Process cost allocations

of £404,000, representing £882,000 of additional corporate costs for the HRA to absorb, but these are offset by the removal of the 24/25 £60,000 budget for a garages' sites survey, the transfer of £288,000 Planned Maintenance Staffing costs to capital budgets, to better utilise the Major Repairs funding, the removal of £53,000 from a vacant Housing Development Team post, a reduction of £98,000 in ICT allocations (£56,000 transferred to repairs and maintenance), a reduction of £70,000 in the pay award contingency to cover the excess impact of the 24/25 award and £80,000 in reduced allocable corporate costs largely due to changes in ICT work programme allocations.

25. **Grounds Maintenance and Trees £152,000** – An increase in budgets is principally due to pay and prices increases of £43,000, an increase of £50,000 in trees maintenance costs following a contract retender, and £59,000 additional charges from the internal grounds maintenance team, covering additional depot costs and additional ICT and mobile phone costs, following a detailed review of the allocation methodology.
26. **Housing Schemes and Temporary Accommodation £48,000** – Additional costs are principally due to inflation £17,000, the inclusion of an £18,000 allocation from the CCTV/Community Alarms team to cover monitoring in older persons accommodation and an increase of £9,000 in ICT allocations following the change in allocation methodology.
27. **Capital Financing Costs Interest £471,000** – Capital Financing costs have increased by £471,000. This is due to interest costs of £308,000 on forecast new borrowing for the proposed 25/26 capital programme set out in paragraphs 34-38 of this report and £279,000 interest costs of the 2023/24 outturn and latest 24/25 capital programmes, offset by a reduction of £116,000 in interest costs due to the repayment of the next £4.1 million instalment of the settlement borrowing in March 2025.
28. **Contribution to Capital - Supporting Housing Strategy** – This budget is the prescribed calculation of dwellings depreciation that needs to be charged to the Housing Revenue Account and is used to part fund the capital programme. The figure is based on a combination of factors including property valuation, component costs and remaining component life. Due principally to increased materials costs the estimated charge has been increased by £500,000 to £10.2 million.
29. **Capital Financing Costs – Principal (£1.368 million reduction)**– After allowing for transfers from reserves of £150,000, the Council is

required to set a balanced budget for the year. Increased operating expenditure of £2.527 million exceeds estimated increased operating income of £1.009 million, reducing the annual amount available for repaying principal on borrowing by £1.368 million. This means that there will not be sufficient resources to enable the maturing loan of £4.1 million to be repaid during 2025/26 and therefore additional new borrowing of £926,000 will be required.

HRA Reserve Balance

30. The HRA Reserve balance as at 1 April 2024 was £1 million. This is a prudent level and meets with good governance practice.
31. The original 2024/25 HRA budget showed a break-even operating position, with no proposed reserves transfers. A financial update report for the year will be presented to Cabinet on 5 February 2025, which will include forecast variations to the year end. In accordance with current policy, any surplus or deficit for the year will be balanced by a transfer to or from the Acquisitions and Development Reserve, but assuming a break-even HRA position for the year 2024/25, this will result in a year-end balance of c£4.4 million as at 31 March 2025, after funding the capital programme.
32. The proposed HRA budget for 2025/26 currently shows a break-even position and therefore the estimated Housing Revenue Account balance (cash reserve) as at 31 March 2025 and 31 March 2026 will be £1 million.

30 Year Business Plan

33. In 24/25 the Council, with the assistance of an external consultant produced an initial 30-year HRA business plan projection, a summary of which was included in the budget report last year. This projection was further refined during the last year which has informed this budget proposal and shows that increased borrowing proposed by this report is affordable. If approved the proposed budget will be incorporated in to a formal plan with an agreed medium to long-term strategic direction for stock investment and new housing development. A Briefing document is attached at **Appendix 5**.

Capital Programme

34. The proposed Housing Public Sector capital expenditure programme for 2025/26 totals £28.620 million. The detailed programme and anticipated funding is set out over the page with indicative details for future years in **Appendix 4**.

Proposed Expenditure	Original 2024/25 £000	Latest 2024/25 £000	Original 2025/26 £000
Fire Risk Assessment Works	1,000	1,000	1,500
Major Structural Refurbishments	1,260	1,260	0
Planned Maintenance & Improvements	8,600	8,600	11,100
Decarbonisation Works	2,170	1,970	1,870
Estate Improvements	200	200	200
Disabled Facilities Adaptations	950	950	950
Development Strategy	18,200	18,200	15,200
TOTAL	32,380	32,180	30,820
Funded by:			
Revenue	9,700	9,700	10,200
Capital Receipts	2,000	4,200	4,000
Acquisitions and Dev. Reserve	1,768	950	950
Government Grant	7,922	6,676	2,805
External Borrowing	10,990	10,654	12,865
TOTAL	32,380	32,180	30,820

35. Significant works to properties, including mandatory compartmentation works and to accelerate the installation of new fire doors, are being carried out following detailed Fire Assessment surveys. Further funding of £1.5 million is proposed for 2025/26.
36. The Major Repairs budget has been increased by £2.500 million in 2025/26 to £11.100 million to reflect identified programme needs and the transfer of Planned Maintenance staffing costs previously charged to revenue. Details of the proposed programme are set out in Appendix 2 but include an increase in gas boiler replacements, and a catch up programme of new window and door replacements which are required for the Council's drive to have all of its homes certified EPC C by 2030.
37. Funding of £1.870 million is proposed in 2025/26 to continue the upgrade works for decarbonisation of the Council's housing stock and take advantage of any government grant match funding available, as covered in more detail in paragraphs 14 and 15. Additional insulation programmes will be launched in 2025 to enhance the energy rating of properties and reduce fuel bills.

38. The Council's current Housing Strategy and Corporate Plan prioritise the delivery of new affordable housing homes covering the period 2018 - 2026. The proposed capital programme for 2025/26 includes £15.200 million to be invested in additional homes. Expenditure is also expected over the period post 2025/26 through to the end of 2028, which has been accounted for in Appendix 3 with similar levels of proposed expenditure.

HRA Medium Term Financial Position

39. Attached at **Appendix 3** is an indication of HRA budgets for two years post 2025/26 and is included to enable decisions for 2025/26 to be made in the context of affordability for the medium term. With the onset of a significant decarbonisation programme and the increasing expenditure required to maintain the aging stock the HRA is placed under continuing significant pressure. It currently shows an estimated operating deficit of c£1.9 million in 2026/27 and £2.1 million in 2027/28. Expenditure and income budgets will be reviewed for those years with a view to reducing the gap, but any remaining deficit will be closed by reducing the loan principal amount repaid to the externally borrowed commitment level of £4.1 million. Significant future costs of the Major Repairs Programme and the Decarbonisation requirements will require both revenue and capital programme spend priorities to be reconsidered in accordance with the Corporate Plan priorities.

Corporate plan priorities

40. People Priority 1: Helping those in our community with the greatest need: Provide more quality, temporary accommodation for single people and families and work with our partners to tackle homelessness.
41. People Priority 3: Meeting housing needs: Provide increased numbers of affordable homes by 2026. Improve the energy efficiency of over 3,200 council houses by 2030. Work with our housing tenants to understand their needs and provide high quality service standards in line with the government's new Social Housing Charter and regulatory regime.

Options appraisal

42. All spending options were considered, including postponing required capital works, but there is a risk that revenue spending will increase fixing end of life components.
43. Due to the age of a significant number of gas boilers, where parts are no longer available, there are very few alternative options to consider. Phasing of boiler replacements over a number of years has

already taken place, following the obsolescence of major parts in October 2024.

Consultation undertaken

Tenants' Views

44. Tenants' views will be reported orally to Panel at the meeting.

Financial and resource implications

45. Attached at **Appendix 3** is an indication of HRA budgets for two years post 2025/26 and is included to enable decisions for 2025/26 to be made in the context of affordability for the medium term. With the onset of a significant decarbonisation programme and the increasing expenditure required to maintain the aging stock the HRA is placed under continuing significant pressure. Whilst these budgets will be amended in future years, it shows an estimated operating deficit of c£2 million. Significant future costs of the Major Repairs Programme and the Decarbonisation requirements will require both revenue and capital programme spend priorities to be reconsidered in accordance with the Corporate Plan priorities.

Legal implications

46. The recommended capital and revenue funding levels for 25/26 ensure ongoing compliance with legislation and guidance set by central government. Maintaining good quality and safe housing mitigates housing disrepair claims and other health and safety related claims.

Risk assessment

47. Risks related to safety compliance, maintaining the decent homes standard and maintaining the momentum toward achieving EPC C and net zero have been addressed by the recommended revenue and capital programmes.

Environmental / Climate and nature implications

48. The capital works programme continues to provide more sustainable measures to improve the thermal efficiency of Council housing stock, through more efficient window replacement programmes, insulation, boiler replacements and air source heat pumps. Following the previous work of the Greener Housing Task and Finish Group and the Greener Housing Strategy, the Council is committed to undertaking more sustainable measures year on year to reach the target of all 5,200 properties having a minimum energy efficiency rating of EPC C, which will require in excess of £6 million over the next 3 years to

fund the initial phases of the work, and up to a further £9 million by 2030.

49. In the long-term decarbonisation of the entire stock will begin to take priority over meeting the EPC target, which will require the HRA to fund an additional £115 million of expenditure. This will present significant challenges to the HRA and future priorities and strategic choices will need to be carefully considered. Whilst meeting net zero will require some carbon off-setting in due course the programme will remove several thousand tonnes of carbon emissions each year.
50. Initially works are targeted at the worst performing properties, which are often off the gas network and in rural areas. As a result, carbon reduction impacts are likely to be higher at the outset of the programme and targeted in specific geographical areas.
51. All products used in the repair, maintenance and improvement of Council homes are selected to ensure the minimum impact upon the environment, are sourced from recycled materials where possible and at the same time balance the need to improve the energy efficiency of tenants' homes in order to meet the requirement for thermal efficiency under the Decent Homes Standard and meet specified and legal safety standards.

Equalities implications

52. All equality and diversity implications will be considered at every stage of the process of commissioning and carrying out planned maintenance, improvement and cyclical maintenance works. In addition, any contractor used for works will have been assessed, as part of the process in becoming an approved NFDC contractor, in respect of their adherence to equality and diversity principles.
53. The HRA funding priorities support the funding and commissioning of necessary works with a view to improving building quality and safety, and the energy efficiency performance of the council stock, which supports vulnerable people reduce household bills at a time of cost of living pressures, and which reduces disrepair and the exposure to damp and mould tackling health and housing inequalities.
54. The Tenancy Account Team, which incorporates a dedicated support worker, will continue to support and signpost tenants experiencing difficulties paying their rents, working collaboratively with community support networks.
55. The continued support for the development and acquisitions programme in 2025/26 addresses housing need issues and increases the supply of properties in where there is high demand for social

housing, and which supports the Council's aims of tackling homelessness in vulnerable communities.

56. The continued support for the funding of Disabled Facilities Grants in the Council Owned stock support vulnerable and disabled tenants to remain in their own homes or provides suitable alternative housing options for applicants and existing tenants whose needs cannot be met by their existing accommodation.

Crime and disorder implications

57. Many aspects of work identified within this report will improve the security of tenants' homes and improve the condition and aesthetics of neighbourhoods.

Data protection / Information governance / ICT implications

58. There are no implications arising from the recommendations.

Conclusion

59. The proposed uplifted rent (in line with government guidelines) and service charges, as well as partial re-financing of the HRA settlement loan enable increased expenditure on housing maintenance and capital programmes. This increased expenditure ensures compliance with Housing Regulatory Standards. The proposed budget is supported with 30 year projections and potential for fiscal borrowing and debt increases to accommodate the programme.

Appendices:

Appendix 1 – Summary HRA
Appendix 2 – Maintenance Programme
Appendix 3 – 3 Year HRA MTFP
Appendix 4 – Capital Programme
Appendix 5 – 30 Year Business Plan
Briefing Document.

Background Papers:

HOUSING REVENUE ACCOUNT BUDGET

	2024/25 £'000	2025/26 £'000	Variation £'000	Para
INCOME				
Dwelling Rents	-33,396	-34,230	-834	17
Non Dwelling Rents	-775	-735	40	18
Service Charges	-1,169	-1,142	27	19
Contributions towards Expenditure	-60	-277	-217	20
Interest Receivable	-441	-418	23	21
Sales Administration Recharge	-33	-33	0	21
Shared Amenities Contribution	-313	-361	-48	21
TOTAL INCOME	-36,187	-37,196	-1,009	
EXPENDITURE				
Repairs & Maintenance				
Cyclical Maintenance	1,886	2,234	348	23
Reactive Maintenance - General	3,400	3,520	120	23
Reactive Maintenance - Voids	1,521	1,886	365	23
General Management	7,765	8,288	523	24
Grounds Maintenance and Trees	935	1,087	152	25
Housing Schemes and Temporary Accommodation	1,151	1,199	48	26
Provision for Bad Debt	150	150	0	
Capital Financing Costs - Interest/Debt Management	5,137	5,608	471	27
TOTAL EXPENDITURE	21,945	23,972	2,027	
HRA OPERATING SURPLUS(-)	-14,242	-13,224	1,018	
Contribution to Capital - Supporting Housing Strategy	9,700	10,200	500	28
Capital Financing Costs - Principal	4,542	3,174	-1,368	29
HRA Total Annual Surplus(-) / Deficit	0	150	150	
Use of Reserves for Major Projects	0	-150	-150	
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT	0	0	0	

2025/26 - 2027/28 MAINTENANCE BUDGETS

CYCLICAL MAINTENANCE	2025/26	2026/27	2027/28
External Cleaning and Decoration	637,000		
Appliance servicing (including gas, oil, solid fuel)	1,097,840		
Lift Servicing	100,000		
Fire Alarm Servicing	76,000		
Portable Appliance Testing	4,300		
Fire Risk Assessments	28,000		
Air Source Heat Pump Servicing	15,000		
CCTV, Laundry & Door Entry Servicing	62,000		
Legionella Testing	32,780		
Automatic Door Servicing	29,648		
Window Cleaning	18,900		
Alarms & Telecommunications	50,000		
Emergency Lighting	83,000		
TOTAL CYCLICAL MAINTENANCE BUDGET	2,234,468	2,301,500	2,370,550

PLANNED MAINTENANCE & IMPROVEMENTS	2025/26	2026/27	2027/28
Heating Replacement Gas	2,267,880		
Electrical Rewiring	884,220		
Sheltered Schemes Minor Works	221,080		
Low Maintenance Eaves	250,000		
External Door Replacements	1,038,000		
Pitched Roofing	685,000		
Repointing	10,500		
Window Replacements	1,750,000		
Kitchen Refurbishments	1,000,000		
Drainage	100,000		
Structural Works	300,000		
Asbestos surveys and removal	100,000		
Garages	200,000		
Bathroom Refurbishments	450,000		
Insurance Work	10,000		
Water Main Renewals	35,000		
Miscellaneous	1,798,320		
TOTAL PLANNED MAINTENANCE & IMPROVEMENT BUDGET	11,100,000	11,433,000	11,775,990

ESTATE IMPROVEMENTS	2025/26	2026/27	2027/28
Provision of estates works and paving	200,000		
TOTAL ESTATE IMPROVEMENTS BUDGET	200,000	200,000	200,000

TOTAL FORECAST MAINTENANCE EXPENDITURE	2025/26	2026/27	2027/28
TOTAL EXPENDITURE	13,534,468	13,934,500	14,346,540

MEDIUM TERM FINANCIAL PLAN - HOUSING REVENUE ACCOUNT

	Budget 2025/26 £'000	Forecast 2026/27 £'000	Forecast 2027/28 £'000
INCOME			
Dwelling Rents	-34,230	-35,688	-37,042
Non Dwelling Rents	-735	-757	-780
Service Charges	-1,142	-1,176	-1,212
Contributions towards Expenditure	-277	-277	-277
Interest Receivable	-418	-350	-289
Sales Administration Recharge	-33	-33	-33
Shared Amenities Contribution	-361	-372	-383
TOTAL INCOME	-37,196	-38,653	-40,015
EXPENDITURE			
Repairs & Maintenance			
Cyclical Maintenance	2,234	2,301	2,370
Reactive Maintenance - General	3,520	3,626	3,734
Reactive Maintenance - Voids	1,886	1,943	2,001
General Management	8,288	8,537	8,793
Grounds Maintenance and Trees	1,087	1,120	1,153
Housing Schemes and Temporary Accommodation	1,199	1,235	1,272
Provision for Bad Debt	150	150	150
Capital Financing Costs - Interest/Debt Management	5,608	6,060	6,504
TOTAL EXPENDITURE	23,972	24,971	25,977
HRA OPERATING SURPLUS(-)	-13,224	-13,682	-14,038
Contribution to Capital - supporting Housing Strategy	10,200	10,500	10,800
* Capital Financing Costs - Principal	3,174	5,099	5,357
HRA Total Annual Surplus(-) / Deficit	150	1,917	2,119
Use of Reserves for Major Projects	-150	0	0
HRA TOTAL ANNUAL SURPLUS(-) / DEFICIT	0	1,917	2,119
OPTIONS IDENTIFIED TO CLOSE THE DEFICIT			
General Process Efficiency and Channel Shift		200k-500k	200k-500k
* Loan Re-financing		upto £4.1m	upto £4.1m

CAPITAL PROJECTS REQUIREMENTS WITH FINANCING

PUBLIC SECTOR HOUSING CAPITAL PROGRAMME

		PROJECT REQUIREMENTS £			2025/26 PROJECT FINANCING £				
		2025/26	2026/27	2027/28	Grants & Conts.	Cap Receipts / DC's	Internal/External Borrowing	HRA	HRA Reserves
Fire Risk Assessment Works	HRA	1,500,000	0				1,100,000	400,000	
HRA - Major Repairs	HRA	11,100,000	11,890,000	12,180,000			1,500,000	9,600,000	
Decarbonisation Works	HRA	1,870,000	1,920,000	1,970,000	926,000		944,000		
Estate Improvements	HRA	200,000	200,000	200,000				200,000	
Council Dwellings - Strategy Delivery	HRA	15,200,000	15,200,000	15,200,000	1,879,000	4,000,000	9,321,000		
Disabled Facilities Grants	HRA	950,000	950,000	950,000					950,000
		30,820,000	30,160,000	30,500,000	2,805,000	4,000,000	12,865,000	10,200,000	950,000
									30,820,000

30 Year HRA Business Plan Briefing

1. Introduction

This note has been prepared by Housing Finance Associates, using information supplied by officers at New Forest District Council about the authority's housing revenue account (HRA). It presents a baseline position plus two alternative development scenarios, which have been prepared using working papers and assumptions agreed with the authority using figures available during its budget-setting process in late 2024.

The projections summarise expenditure, investment, capital financing and borrowing in respect of council housing over a 30 year period, starting in 2024/25. We have presented a baseline position that reflects the authority's best available data and assumptions. The baseline allows for inflationary pressures to impact on budgets and programmes from 2025/26 onwards. It also assumes that National rent policy will permit maximum rent increases of CPI +1% until 2030/31, which is in line with a current consultation by government. Alongside this baseline we have also shown the effects of two separate alternative scenarios for future development:

1. Extending the current development programme by a further four years until 2038/39.
2. Continuing to replace dwellings sold under the Right to Buy for the full thirty-year period.

Note that our scenarios are intended to illustrate potential changes to the baseline, which could flow from policy decisions on the part from the council. They are not decisions made, nor do they constitute a full stress test of the authority's position. We recommend that the authority reviews the risks facing its HRA regularly, with a view to identify the effects of emerging situations at an early stage, testing its response and taking appropriate action to eliminate or mitigate the risk.

The first part of this note focuses on the baseline projections.

NB Since the publication of this briefing document there are some additional corporate costs proposed to be borne by the HRA in the HRA Budget 25/56 report which will require factoring in to long term projections.

2. Baseline projections

2.1. Baseline assumptions

The baseline assumptions reflect the revised 2024/25 revenue budget, draft 2025/26 budget and medium term projections for capital and revenue prepared by the authority's finance team. These update the approved budgets that were reported to Cabinet in the annual budget-setting report from February 2024. Other information and assumptions we have used in preparing this baseline projection include:

- Updated information on the authority's programme for developing and acquiring new dwellings over the medium term.
- Data from the right to buy pooling returns that the authority submits to MHCLG
- We have assumed that the authority sells 25 homes under the right to buy in 2024/25 and 40 homes in 2025/26, while it processes an influx of applications that followed publication in October 2024 of the government's plans to reform the Right to Buy and reduce discount levels. From 2026/27 onwards we have allowed for 10 to 11 sales pa.
- The authority aims to maintain a minimum HRA balance of £1.000m, adjusted for inflation
- Any sums generated by the HRA that exceed the minimum balance are made available to finance the capital programme or to repay debt.
- Actual rents increase at the maximum rate currently permitted by the rent standard. The maximum rent increase for existing tenants in 2025/26 has been set at 2.7%. Under the policy statement recently issued by government for consultation an increase of CPI +1% is expected to apply until 2030/31. We have made the prudent assumption that rent increases will be limited to a CPI uplift from April 2031.
- Formula rents increase at CPI +1% until 2030/31, in line with the government's policy statement consultation. From 2031/32 onwards we have assumed that formula rents increase in line with CPI.
- In 2024/25 the authority re-lets 5.5% of its social rent stock (282 units) at formula rent, with future relets in the same proportion. A small number of these dwellings (6 pa) are also re-let with an additional 5% rent flexibility charge, which is permitted under the rent standard.
- Depreciation costs have been estimated in line with the authority's budget, uplifted for inflation at CPI.
- Inflation has been applied as follows:
 - Underlying inflation for 2025/26 is linked to the CPI inflation rate of 1.7% for September 2024, as published by the Office for National Statistics. House prices for 2025/26 are assumed to have reduced b1.0%, in line with the house price index published for the New Forest by HM Land Registry for August 2024.
 - CPI at 2.25% in the final quarter of 2025 and 1.5% in the final quarter of 2026, based on projections prepared by the Bank of England and published in the August 2024 monetary policy report. These rates have been used to reflect underlying inflation for 2026/27 and 2027/28 respectively. From 2028/29 onwards we have assumed CPI runs at 2% pa.
 - RPI tracks at CPI +1%
 - General management and special management costs increase by underlying CPI.
 - Building costs increase at RPI. This affects spending projections for day to day repairs and maintenance, major works to existing homes and the provision or acquisition of new homes.
 - Other costs in the capital programme have been inflated by CPI.

- The baseline allows for the HRA to develop or acquire approximately 464 new homes between 2024/25 and 2034/35.
- Major works and component replacements are treated as 100% variable from 2027/28. These costs have an element that flexes to reflect increases and reductions in the housing stock.
- At the start of the planning period HRA debt includes internal borrowing from the Council of £9.812m.
- The projections assume a pooled interest rate of 4.8% would apply to new loans in 2024/25 and 2025/25, reducing to 4.2% for 2026+/27 and 2027/28, then a rate of 3.8% from 2028/29 onwards.

In preparing this projection we have assumed that the HRA would attempt to repay any additional external borrowing that it undertakes as quickly as possible. Our reason for making this assumption is that it gives a clearer indication of how well the HRA can service and repay any borrowing that is required to deliver its long term capital programme. Any actual borrowing undertaken by the authority would be subject to the prevailing market conditions and guidance received from the authority's treasury advisors.

2.2. Gaps in the data and potential risks

Note that there are gaps in the data available to the authority, which have required us to make assumptions about future expenditure in key areas. The two principal gaps we have identified relate to:

- The cost of unforeseen works that may be required when investing in the authority's existing housing stock. We have included a contingency to allow for such works.
- Lack of certainty around future National policies impacting on the Right to Buy, decarbonisation of the housing stock and associated funding. We have made prudent assumptions to accommodate these risks.

The profile of component replacements required for the existing stock is generated from the authority's stock condition data. We recommend continuing to update the modelling assumptions to accommodate new information from the stock condition data, as soon as it becomes available.

Other key risks include:

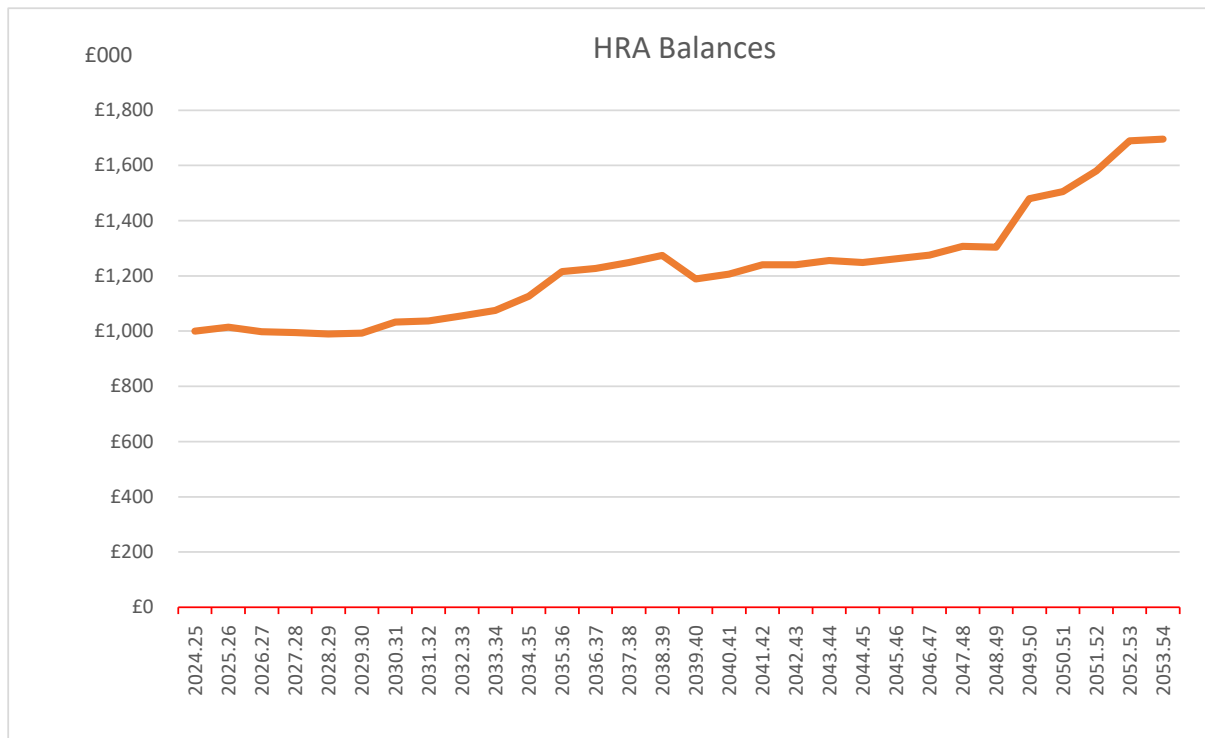
- fluctuations in the underlying rate of inflation, which can impact on both costs and income
- further constraint imposed on rent increases, whether by government or the authority itself
- increases in the costs of works and services that are not matched by increases in income
- changes to underlying interest rates

We recommend that the authority reviews the potential HRA impact of these risks regularly, as part of its early warning system. This will enable it to identify the effects of emerging situations at an early stage, test its response and take appropriate action to eliminate or mitigate the risk.

The effects of the baseline assumptions are shown in the following sections.

2.3. Baseline - revenue position

The chart below shows the authority's ability to maintain a minimum level of balances during the 30 year period covered by the baseline projection:

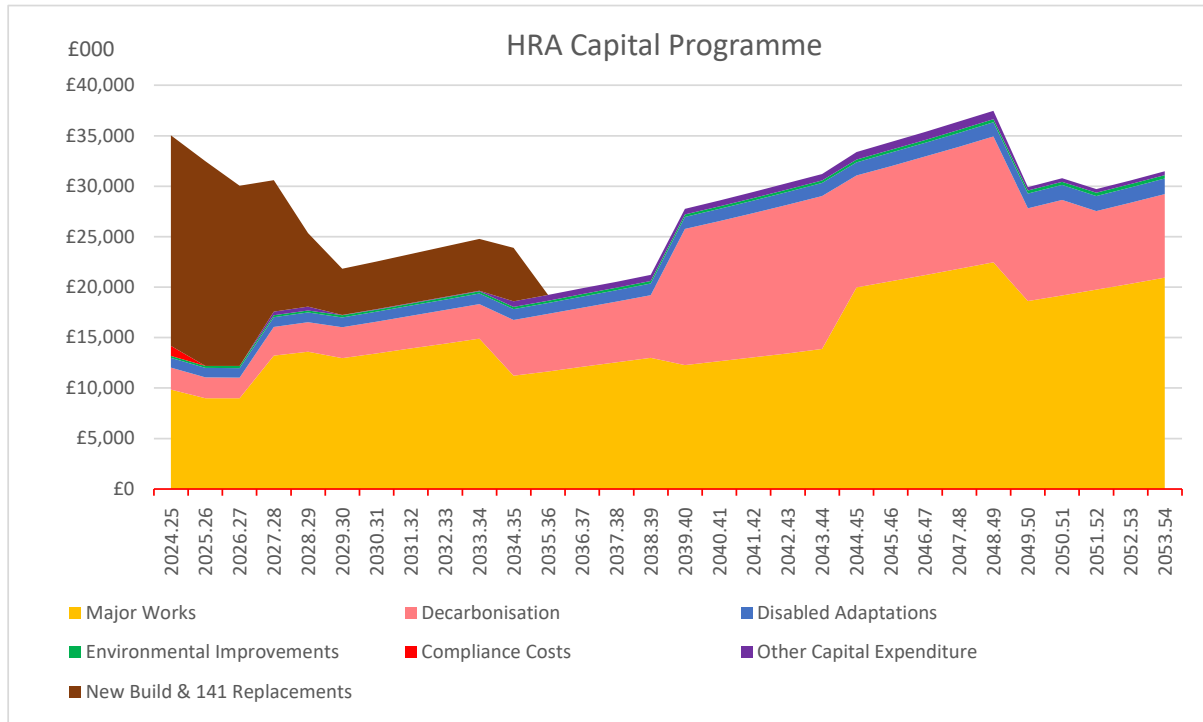


In this chart the orange line projects the cumulative HRA balance at the end of each year.

The authority maintains its minimum HRA balance of £1.000m (plus inflation) throughout the projections. During this period, any “spare” rents generated are used to pay for capital projects or to repay debt.

2.4. Baseline -capital programme

The next chart shows the scale and composition of the authority’s projected capital programme:



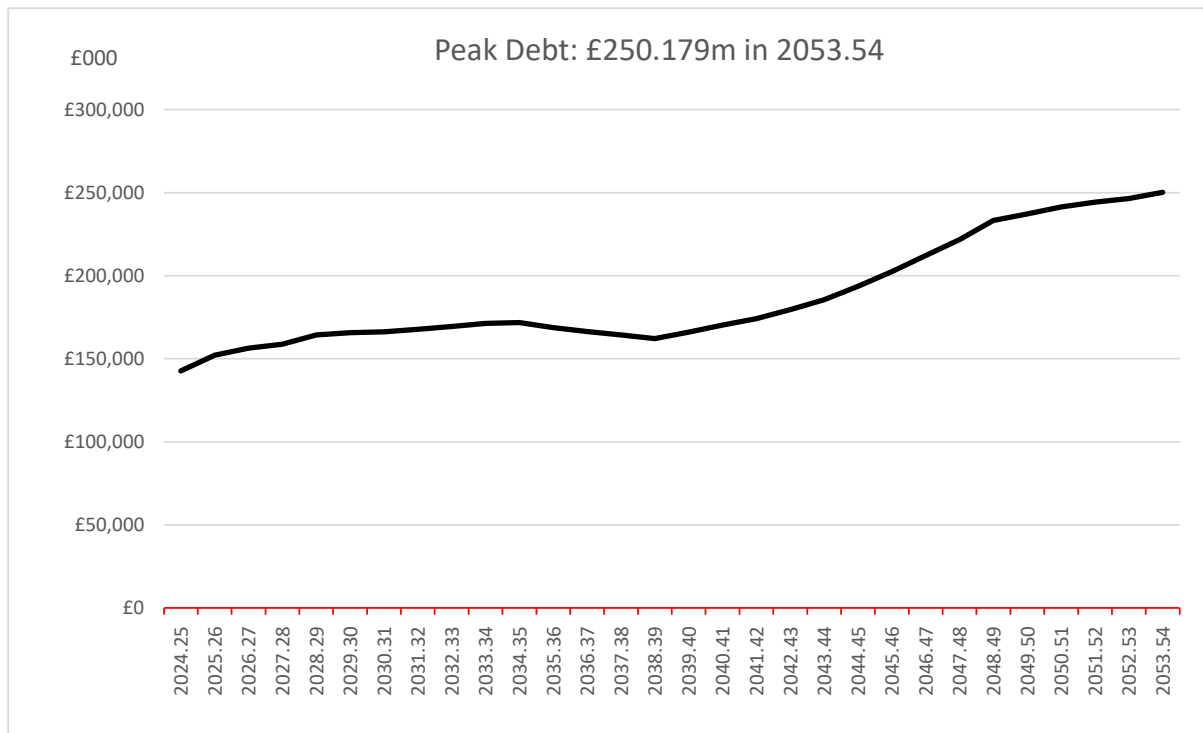
This projection includes a cautious 10 year programme for new build and stock purchase that produces 464 new properties between 2024/25 and 2034/35 (brown area). This reasonably represents the authority’s commitment to increasing its housing stock over the medium term.

The amber area allows for investment required on stock condition, based on the existing capital programme and stock condition data, with a contingency for (as yet) unidentified additional stock investment. The pink area shows an allowance for improving energy efficiency of existing homes to EPC level C standard by 2030, plus wider decarbonisation works. This allowance is based on the existing capital programme and stock condition data, with a contingency for additional decarbonisation works. The total amount of decarbonisation investment in the above chart is consistent with representative levels assumed by other local authorities.

The average cost of major works at current prices, £50,190 per dwelling (excluding decarbonisation works). The allowance for decarbonisation comes to £25,015 per dwelling at current prices over the same period. These allowances are consistent with representative levels of investment in other authorities.

2.5. Baseline – debt

The next chart projects movements in the level of HRA debt during the planning period:



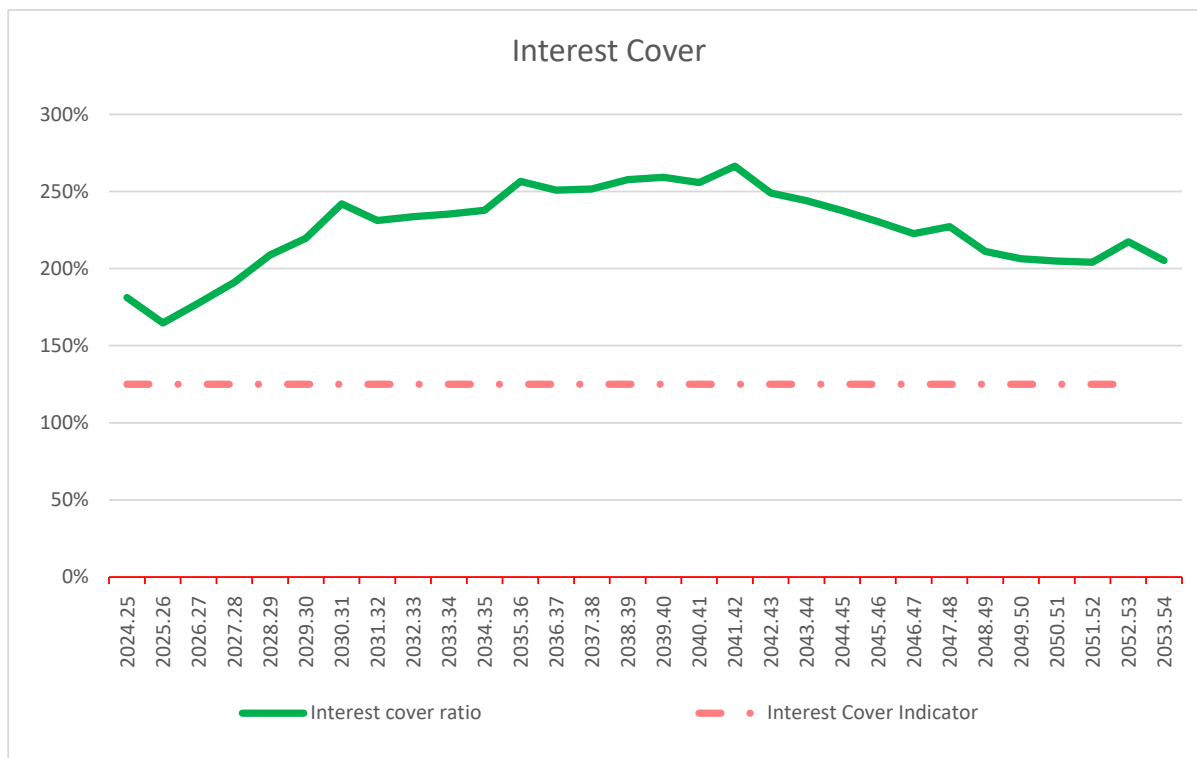
On these assumptions, the authority is unable to finance its capital programme entirely from its Major Repairs Reserve, revenue surpluses generated by the HRA and projected right to buy receipts. This causes the HRA to rely on borrowing to part-finance its HRA capital programme throughout the thirty year period.

HRA-related debt is projected to rise in most years, reaching a peak of £250.179m in 2053/54 – the final year of the projections. It is noticeable that the authority is able to repay some debt between 2035/36 and 2038/39 although this remains a choice due to the capacity to service debt and the potential future pooling of HRAs under Local Government Reorganisation, which follows the end of the medium term development programme and precedes an expected increase in decarbonisation investment. From 2039/40 onwards the HRA needs to borrow more to finance its capital programme than it can afford to repay from the available resources, causing debt to rise for the remainder of the period.

Debt is at its peak level in 2053/54 and continuing to rise. This means that the authority would be exposed to potential fluctuations in interest rates over the long term. It will therefore be important to continue reviewing the authority's options as the underlying economic circumstances evolve.

2.6. Baseline – affordability

Alongside our projection of the ability of the HRA to repay the debt required to finance the assumed capital programme, the chart below compares the level of operational surplus it generates with a standard indicator used by other landlords:



The green line in this chart shows the number of times the revenue HRA surplus is able to cover the assumed interest charges on its debt. When the green line goes down the authority's HRA is either making smaller surpluses or paying more in interest charges and the reverse is true when the green line goes up. The static dashed pink line suggests a minimum level of 125%, below which the authority would be at risk of being unable to cover its interest costs from its operating surplus.

This chart shows reasonable levels of interest cover throughout the projections, which implies that the authority would be able to afford the level of borrowing required under the baseline assumptions. It is noticeable that performance against this metric deteriorates in the latter half of the planning period. This reflects an expectation that some costs will rise at a faster rate than income over the long term, as well as increases in borrowing to deliver the 30 year capital investment requirement. If debt continues to rise at the projected rate, it would eventually reach a level that is unaffordable to the HRA.

Any further increase in costs or loss of income would cause the drop in performance under this metric to accelerate, unless the authority is able to make cost savings or generate additional income to compensate. The types of additional cost that the authority could encounter might result from higher inflation, increases in interest charges, commitments to spend more on providing additional or improved services, or additional costs to secure compliance with regulatory requirements. Any constraint on rent levels (whether imposed by government, or by a local decision to set rents at a lower level) would have a similar negative impact on interest cover performance.

Note that the requirement for borrowing is very sensitive to assumptions relating to cost levels, income from rents and other sources, plus interest rates. Initial sensitivity testing of these

assumptions indicates that the authority should continuously seek to minimise costs and maximise income as a way of keeping debt levels down and minimising the associated risks.

2.7. [Baseline – summary](#)

The baseline assumptions produce a position that looks affordable but starts to weaken over the long term. The HRA can use borrowing to increase the number of units over the medium term, but to protect the long term financial health of the HRA the authority needs to be cautious about future commitments, potentially forecasting in 5 year rolling periods. It will be important to continue to minimise costs, while maximising income and resources. Where possible, spending pressures should be contained within the levels of income growth the authority can achieve from rents and other charges.

3. Development Scenarios

3.1. Scenarios tested

The alternative scenarios we have tested for the authority are designed to indicate the potential impact of less cautious development programmes on the financial health of the authority's HRA.

Scenario 1 – development programme extended to deliver 524 new homes by 2038/39

Under Scenario 1 the authority would extend its development plans by a further 4 years, to 2038/39. This increases the number of new homes from the baseline assumption of approximately 464 dwellings by 2034/35, to approximately 524 new homes by 2038/39. All homes would be let at a social rent.

Scenario 2 –replace all RTB disposals for 30 years, delivering 673 new homes

Scenario 2 allows for the authority to replace dwellings sold under the right to buy over 30 years. This increases the new homes delivered from the baseline assumption of approx. 464 dwellings by 2034/35, to approx. 673 new homes by 2053/54. Again, all new homes would be let at a social rent.

3.2. Use of scenarios

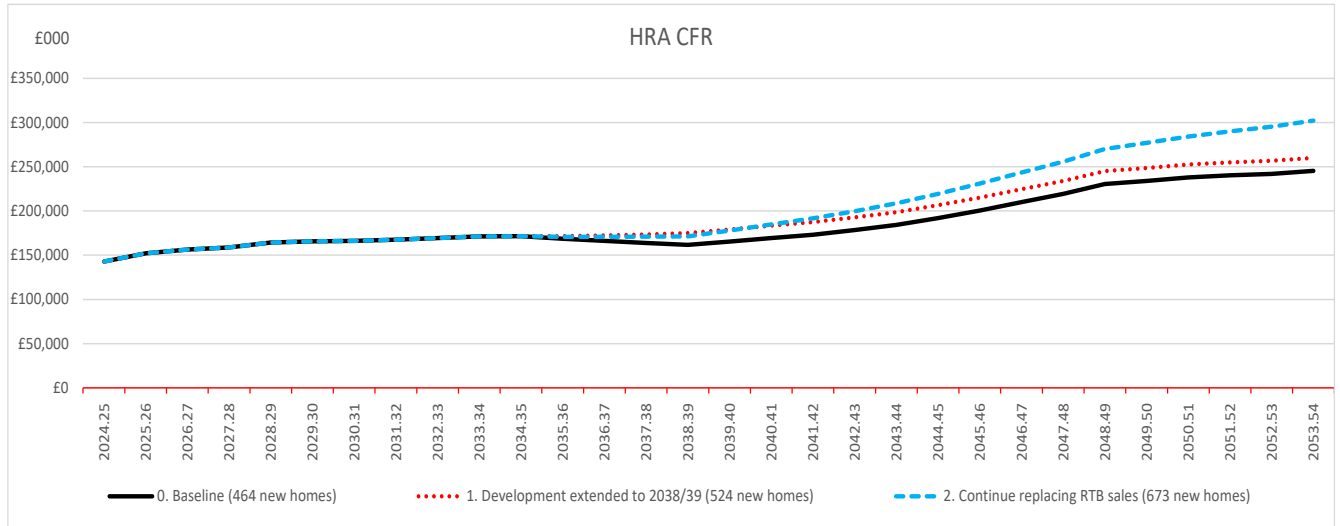
We recommend that the authority routinely reviews its HRA assumptions and tests the potential impact of different decisions, evolving economic circumstances and changes in government policy. In particular, it should regularly review its assumptions on inflation and interest rates, while updating expenditure assumptions to reflect its in-year monitoring of budgets and programmes.

Adopting a rigorous approach to stress testing the authority's HRA will help it to identify the effects of potential risks at an early stage, test its response and take appropriate action to eliminate or mitigate the risk.

3.3. Scenario results

The table below summarises the effects of each scenario on key financial metrics for the HRA. These are shown alongside the results produced by the baseline position.

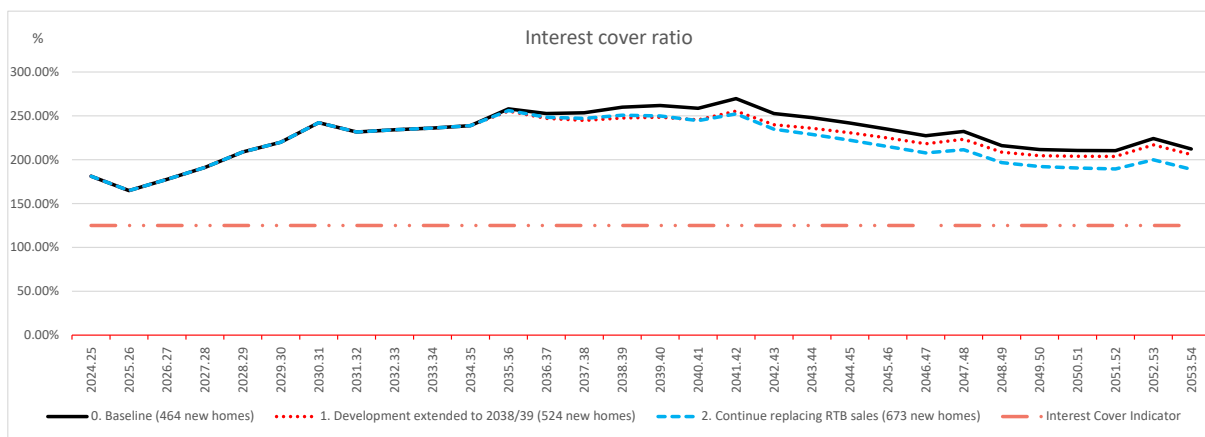
Our first chart shows the impact of the two different levels of development on the baseline debt projection:



In this chart the black line shows the baseline position (464 homes by 2034/35), as presented in section 2.5 of this briefing. The red dotted line shows Scenario 1 (524 homes by 2038/39) and the blue dashed line represents Scenario 2 – a 30 year programme of replacing RTB sales (673 homes by 2053/44). As might be expected, both of the scenarios require the authority to borrow more from 2035/36 onwards. Under Scenario 2, the authority needs to borrow at higher levels and debt continues to grow at a faster rate by the end of the period.

The authority’s exposure to interest rate risk increases under both scenarios and is significantly higher under Scenario 2.

Our next chart shows the impact of each scenario on the affordability of HRA-related debt:



The black line in this chart shows the baseline position (464 homes by 2034/35), as presented in section 2.6 of this briefing. The red dotted line shows Scenario 1 (524 homes by 2038/39) and the blue dashed line represents Scenario 2 – a 30 year programme of replacing RTB sales (673 homes by 2053/44).

Under each scenario the higher debt level required means that the authority must pay more in interest charges than it generates from additional rents. As a result, the authority has less revenue resource available than under the baseline. Each scenario becomes less affordable than the baseline, as they have less available to spend on stock investment and the management and maintenance of its existing homes.

Under either of these scenarios the authority would need to consider mitigating action to help improve the financial health of its HRA over the long term. These actions might include:

- Reviewing service charges to ensure that they remain sufficient to cover the costs of the services provided
- Considering its choice of tenures when developing or acquiring new homes
- Committing to a medium term cost reduction programme that maintains downward pressure on the costs of housing management and repairs
- Generating additional capital receipts from disposal of appropriate assets on the open market
- Seeking additional external funding (e.g. for decarbonisation investment)
- A combination of the above measures

3.4. Scenarios – summary

Both of the scenarios weaken the position set by the baseline assumptions. It is clear that increasing the scale of the development programme:

- Increases the authority's reliance on debt finance; while
- Raising the associated costs of interest charges; and
- Reducing its ability to repay debt.

The HRA needs to operate as a business and many recent activities within the service demonstrate this transition, including service charge changes, new rent setting policy, receipt of grant funding, mini restructures, voids and rents improvement projects in place, the journey to meet consumer standards and business systems transformation including self-serve will reduce transactional costs and improve efficiency. Costs are only affordable while they are covered by the rents that tenants pay.

It is important that the authority continuously monitors the situation and takes steps to ensure that it protects the capacity of its HRA to deliver the investment required over the medium and long terms. There may also be further financial changes proposed by the national government following recent consultations to consider in due course. However, steps it might consider include:

- Ensuring that service charges are sufficient to cover the costs of the services provided
- Considering its choice of tenures when developing or acquiring new homes
- Committing to a medium term efficiency programme to maintain downward pressure on operating costs
- Generating additional capital receipts from disposal of appropriate assets on the open market
- Seeking additional external funding
- A combination of the above measures

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