



NORTHAMPTON
BOROUGH COUNCIL

COUNCIL

14 September 2020

Agenda Status: PUBLIC

Directorate: Management Board

Report Title	Housing Revenue Account (HRA) Capital Programme Budget
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1. Purpose

1.1 The purpose of this report is to:

- To agree an additional £50M of HRA capital programme expenditure funded through borrowing.

2. Recommendations

2.1 That Council approve:

- a) Approve an additional £50M of HRA capital programme expenditure funded through borrowing, for the acquisition of blocks of homes as element of delivering affordable homes on major developments, land and /or existing properties.
- b) That Cabinet be authorised to approve new capital schemes and variations to existing schemes, subject to a business case, the funding being available and the schemes being in accordance with the objectives and priorities of the Council.

3. Issues and Choices

3.1 Report Background

Housing Revenue Account

3.1.1 The HRA is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets.

Developments in Housing Finance.

- 3.1.4 Since the introduction of self-financing in 2012 there have been a host of government policy initiatives that have impacted upon housing finances. Some of the financially more significant ones are:
- the legislative backed 1 % rent reductions for 4 years from 1 April 2016;
 - the encouraging of right to buy (RTB) by increasing RTB discounts,
 - the introduction of Universal Credit and Benefit Cap; and.
 - rent increases from 2020/21 capped at CPI plus 1% for 5 years.
- 3.1.5 In addition to this the Autumn 2018 Budget announced the removal of the HRA Debt Cap and the introduction of prudential borrowing which gives Council more scope to pursue new build programmes to deliver much needed new housing within the Borough.

3.2 Decision Details

HRA Budget 2020/21

- 3.2.1 During 2019/20 Council approved an increase to the HRA capital programme expenditure by an initial £25M for the acquisition of blocks of homes as element of delivering affordable homes on major developments.
- 3.2.2 Council also authorised Cabinet to approve new capital schemes and variations to existing schemes, subject to a business case, the funding being available and the schemes being in accordance with the objectives and priorities of the Council
- 3.2.3 Following this Council delegation, Cabinet have approved the following expenditure on schemes to be funded by the initial £25m approval:
- Riverside House
 - Beaumont House
 - Belgrave House
 - Buyback & Spot Purchases
- 3.2.4 The Council approved the 2020/21 HRA Budget on 24 February 2020 and further work has been undertaken on the 30 Year HRA Business plan since then, resulting in a proposal to increase the HRA capital programme by a further £50M funded through borrowing.

Housing Revenue Account Capital Programme

- 3.2.5 Capital expenditure is essential for the Housing Revenue Account to maintain and improve the Council's housing stock as well as deliver new council housing. The HRA is an asset driven service and as such the capital programme plays a key part in the delivery of the HRA service.
- 3.2.6 The HRA Capital Programme has been developed within the context of the 30 year Business Plan and the existing Asset Management Plan. Regular reviews of the HRA business plan are undertaken which may lead to changes being brought back to Cabinet from time to time.
- 3.2.7 The capital programme has seen significant increases to the New Build programme over the last couple of years, reflecting the removal of the HRA Debt Cap from October 2018 and the ability to prudentially borrow within the HRA. The proposed additional £50M is to ensure that the Council is best placed to

enable it to be agile in taking advantage of opportunities to acquire blocks of homes from developers as part of their planning objectives to deliver affordable homes as and when they occur to enable it to better address the shortage of housing in the Borough.

- 3.2.8 The medium term plan currently shows continued investment in the new build programme over the next 5 years. This additional borrowing will help the Council, working closely with Northampton Partnership Homes (NPH) and/or other developers to increase the new build programme for delivering new social and affordable homes over the coming years.

Opportunities to acquire new affordable housing

- 3.2.9 Homes England schemes and developer-led schemes require the provision of affordable housing. Developers often invite Registered Providers to bid for the affordable housing and, typically, this will sell for 50% - 60% of the market value. There are also opportunities to acquire homes off plan from developers, along with land/site acquisition to develop for HRA homes.
- 3.2.10 As Northampton Borough Council is a Registered Provider, NPH on their behalf are actively monitoring such opportunities. However, the timescales are often very short and Registered Providers are usually required to provide confirmation, when they submit their expression of interest, that funds are available (or will be) to complete the purchase.
- 3.2.11 Although each scheme will require its own business case to demonstrate due diligence and value for money, there is a need to obtain Council approval to increase the HRA borrowing and expenditure envelope to make the most of these opportunities to acquire new affordable housing.

HRA Capital Programme and Funding 2020-21

- 3.2.12 The table below shows a summary of the Capital programme and includes the proposed additional £50M expenditure and borrowing for 2020-21. Please note the table below does not include carry forward budget from 2019/20.
- 3.2.13 The HRA capital programme for 2020/21 and beyond will be refined in conjunction with NPH, in line with the updated Asset Management Plan, and the HRA Business Plan review.

	Approved 2020-21 £000s	Proposed Additional 2020-21 £000s	Revised 2020-21 £000s
	£	£	£
External Improvements	9,300	0	9,300
Internal Works	4,600	0	4,600
Environmental Improvements	3,000	0	3,000
Structural Works and Compliance	600	0	600
Disabled Adaptations	650	0	650
IT Development	300	0	300

New Build Programme/Major Projects	20,900	50,000	70,900
Buybacks and Spot Purchases	500	0	500
Total	39,850	50,000	89,850

FINANCING:			
Major Repairs Reserve/Depreciation	12,000	0	12,000
Capital Receipts - RTB (excl 1-4-1)	2,845	0	2,845
Capital Receipts - RTB 1-4-1 Receipts	4,893	0	4,893
Revenue/Earmarked Reserve	6,891	0	6,891
Borrowing / CFR	13,221	50,000	63,221
Total Financing - HRA	39,850	50,000	89,850

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The revenue and capital budgets are set in support of the Council's priorities.
- 4.1.2 The HRA Revenue Budget is set in the overall context of the HRA 30 year business plan and the Council's Asset Management Plan.
- 4.1.3 The Capital Programme for the HRA is set in the context of the Council's Capital Strategy.

4.2 Resources and Risk

- 4.2.1 One of the ways to reduce the pressure of homelessness and temporary accommodation is to increase the supply of affordable housing. The Council is already supporting and financing increases in the HRA stock through a programme of NPH developments. However, there are wider opportunities to acquire a significant number of new HRA council homes:
- by purchasing properties 'off plan' through developer / Homes England schemes.
 - acquisition of targeted existing properties (extension of the Right To Buy – buyback scheme)
 - purchasing land/sites to develop
 - purchase of blocks of homes from developers.
- 4.2.2 As such acquisitions are likely to be of a large scale and require substantial investment, there is a need to gain Council approval to increase the HRA borrowing envelope to progress such schemes. The proposal is to seek approval for a supplementary budget request by Council to increase the permitted HRA borrowing and expenditure by up to £50M should such opportunities arise.
- 4.2.3 There will be associated increase in revenue costs and revenue income, from rents that will be appraised based on a specific scheme basis to ensure that the HRA remains in a sustainable financial position. Cabinet will receive a full and

formal business case before the Council commits any actual funds to the purchase of the affordable housing.

4.3 Legal

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

4.4 Equality

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

4.4.2 Equality and diversity were considered as part of the medium term planning options submitted. There are no adverse impacts at this stage but will be considered in accordance with the Council policy when appropriate.

4.5 How the Proposals deliver Priority Outcomes

The creation of new Council owned homes for rent is a key corporate priority.

4.6 Other Implications

There are none specifically.

5. Background Papers

5.1 The following papers reflect the background to this report

- Council HRA Budget report 24 February 2020.
- Cabinet Budget Monitoring Report 19 August 2020.
- Audit Committee 24 August 2020.

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