

WEST NORTHAMPTONSHIRE COUNCIL

FULL COUNCIL

22 February 2023

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE – COUNCILLOR MALCOLM LONGLEY

Report Title **Housing Revenue Account Budget 2023-24 and Medium-Term
Financial Plan**

Report Author **Martin Henry, Executive Director (Finance)**
Martin.Henry@westnorthants.gov.uk

Contributors/Checkers/Approvers

Monitoring Officer	Catherine Whitehead	14/02/23
Chief Finance Officer (S.151)	Martin Henry	14/02/23
Other Director/SME	Jane Carr	14/02/23
Communications Lead/Head of Communications	Becky Hutson	14/02/23

List of Appendices

- Appendix 1 - HRA Revenue Budget 2023/24 and MTFP Summary**
- Appendix 2 - Growth, Efficiency Savings, and Investment Proposals**
- Appendix 3 - Capital Programme 2023/24 and MTFP Summary**
- Appendix 4 – Northampton Partnership Homes (NPH) Total Fee**
- Appendix 5 – Schedule of Service Charges and Garage Rents**
- Appendix 6 – Consultation on the Draft HRA Budget 2023/24**

1. Purpose of Report

- 1.1. This report sets out the Housing Revenue Account (HRA) Budget 2023-24 and Medium-Term Financial Plan for West Northamptonshire Council following a period of public consultation, review by overview and scrutiny, and internal officer review to ensure the budget is robust and based on the most up to date set of assumptions.
- 1.2. The purpose of this report is for the approval of the HRA budget 2023-24 and to set out the future years' projections to 2027-28.

2. Executive Summary

- 2.1 The HRA is West Northamptonshire Council's landlord services function. Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a HRA. The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of the HRA expenditure and how these are funded, which is mainly from rental income.
- 2.2 The plans and budget proposals ensure that the Council is continuing to invest in its existing HRA stock, incorporating the decarbonisation agenda, whilst also delivering on a significant new build programme to increase the local housing supply for new council houses.
- 2.3 The HRA budget process incorporates the calculation of the management fee for the continuation of delivery of the HRA services by the Council's Arms-Length Management Organisation (ALMO), Northampton Partnership Homes (NPH). The Council has a statutory responsibility for the HRA, and therefore retains overall responsibility of the HRA. NPH, as part of their responsibilities, provides the Council with information on its activities and advice on how best to make use of the resources within the HRA.
- 2.4 This budget has been prepared using the latest service intelligence and financial information available, incorporating prudent estimates and financial assumptions. It addresses the risk of increases in energy prices and other inflation pressures, whilst providing the opportunity to set a balanced budget without the need for service reductions. It also provides service investment in the existing housing stock and new dwellings.
- 2.5 However, there remains a significant amount of financial risk, such as the nationally recognised budget pressures for local government, not only from the longer-term impact of COVID-19 on costs and income, but also from supply chain issues and other cost pressures which pre-date the pandemic or have emerged as the legacy of some of the pandemic effects.
- 2.6 To help maintain and protect levels of service provision and the future sustainability of the HRA the budget includes a rent increase of 7% in line with the maximum limit set by government. The rent increase will contribute approximately £3.7m per annum to the HRA, which will be invested back into the HRA through maintaining its existing stock and contributing to the borrowing needed to deliver new council homes to increase housing supply with West Northamptonshire.

2.7 The key planning assumptions for the 2023-24 budget include the following:

Revenue Budget

- A balanced revenue budget achieved in challenging circumstances.
- An average rent increase of £6.79 per week commencing 3 April 2023.
- An increase of 10% in service charges from 3 April 2023.
- A 10% increase in garage rents and commuter surcharges from 3 April 2023
- A total of £3.6m for inflationary increases in employee pay costs, repairs maintenance and cleaning.
- Investment of £1.9m for a range of new regulatory, health and safety, planning and support services.
- Efficiencies of 0.7m which ensure best use of resources.

Capital Programme

- Investment in existing stock in the capital programme of £29m to improve and maintain the housing stock incorporating decarbonisation and net zero works.
- New build investment in the capital programme of £36m to deliver new homes of which 96 are anticipated to come on stream in 2023-24 and 166 in 2024-25
- Further key investment in the following:
 - £5m for the Energy Efficiency, net Zero carbon programme
 - £1m for additional disabled adaptations
 - £1m for Structural and Compliance works
- Prudent use of borrowing. The 5-year capital programme has been kept at £285m to limit borrowing until the overall borrowing approach is reviewed further.

3. Recommendations

3.1 It is recommended that Council approves: -

- a) The HRA revenue budget for 2023-24 of £61.19m.
- b) An average maximum rent increase of 7% per dwelling, in line with the legislation and the government's amended national rent standard, to take effect from 3 April 2023.
- c) An average maximum increase of 10% in garage rents and commuter surcharges to take effect from 3 April 2023.
- d) An average increase of 10% in tenants and leaseholders service charges with effect from 3 April 2023.
- e) The HRA capital programme for 2023-24, noting the future year estimated commitments, and proposed sources of finance.
- f) The total management fee of £32.8m for NPH to deliver the services in scope for 2023-24.
- g) The setting of the minimum working balance at £5m, informed by the outcome of the latest financial risk assessment.
- h) That authority be delegated to the Executive Director of Finance in consultation with the Portfolio Holder for Finance to transfer monies to/from earmarked reserves and the working balance, should that become necessary during the financial year.
- a) That authority be given to the Executive Director of Finance to update the prudential indicators in the Treasury Management Strategy reported to Council.

- i) That authority be delegated to the Executive Director of Finance in consultation with the portfolio holder for Finance to amend the capital programme for 2023-24 going forward so that it accurately reflects issues such as slippage on current year projects that will need to be added to the programme, any amendments made to existing capital programmes, adjustments to accommodate any future use of capital receipts policy, and for any other reason where the capital programme needs to be adjusted.

4. Reason for Recommendations

- 4.1 To ensure that the HRA reflects the statutory requirement under Section 74 of the Housing and Local Government Act 1989 to account separately for local housing services.
- 4.2 To ensure the Council sets a balanced HRA and avoids going into deficit operating, within national standards in relation to rent increases.
- 4.3 To ensure that the Council is able to meet its wider duties and obligations to tenants.
- 4.4 To ensure that the Council complies with its Constitution and all other relevant requirements in setting the budget for West Northamptonshire Council.

5. Report Background

- 5.1 This report sets out HRA Budget 2023-24 and Medium-Term Financial Plan for West Northamptonshire Council.
- 5.2 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a HRA. The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of the HRA expenditure and how these are funded, mainly from rents and service charges. The HRA budget process incorporates the calculation for the continuation of delivery of the HRA services by the Council's Arms-Length Management Organisation (ALMO), Northamptonshire Partnership Homes (NPH). This report sets out the proposed total fee for NPH for 2023-24 to provide the services in scope.
- 5.3 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.
- 5.4 The HRA Capital Programme includes all capital expenditure on assets accounted for under Landlord services, including council housing, estate shops, and garage sites. This includes the acquisition, replacement and enhancement of assets financed from government grants, external contributions, revenue contributions, capital receipts and borrowing.

- 5.5 The Council has a statutory responsibility for the HRA and therefore retains management of the HRA. NPH, as well as being the delivery partner, also provides the council with information on its activities, and advice on how to make best use of the resources within the HRA.
- 5.6 It should be noted that the total fee for NPH in 2023-24 will be subject to approval of the HRA and General Fund budgets by full Council at its meeting in February 2023.

6. Issues and Choices

6.1 Corporate Plan

6.1.1 The Corporate Plan sets out the Council's priorities, and the way in which we will achieve our vision to make '*West Northamptonshire a great place to live, work, visit and thrive*'.

6.1.2 The plan is based upon the Council's six priorities: These are

- **Green and Clean** - *Environment and Wellbeing*
- **Improved Life Chances** – *Health, Social Care and Families*
- **Connected Communities** – *Transport and Connectivity*
- **Thriving Villages and Towns** - *Place shaping and homes*
- **Economic Development** – *Growth and prosperity*
- **Robust Resource Management** – *Transparency and financial probity*

6.1.3 The proposed HRA budget is aligned to the delivery of the Corporate Plan particularly in the delivery of good quality affordable homes and the provision of well-maintained and environmentally friendly homes.

6.2 Housing Strategy

6.2.1 The Housing Strategy forms one of the cornerstones for delivering our Corporate Plan 2021-2025. It sets out the main housing related issues and how we plan to deliver our key themes and objectives. Underpinning the strategy is the importance of partnership working and without this we will not be able to tackle the big challenges that lie ahead. The Council has created a Housing Partnership Board with NPH, key statutory agencies, our main Registered Provider partners and housing-related voluntary/community sector representation. It is intended that the Housing Partnership Board will drive the formulation and delivery of the Housing Strategy Delivery Plan.

6.2.2 The Housing Strategy 2022-2025 was approved by Cabinet in September 2022. This strategy is built around four themes and their associated objectives

- a. **Theme 1:** Deliver homes people need and can afford
- b. **Theme 2:** Improve the quality, standard and safety of homes and housing services
- c. **Theme 3:** Support residents to live healthy, safe, independent, and active lives

d. **Theme 4:** Support thriving and sustainable communities

6.2.3 A key element of the Housing Strategy is the delivery of additional new affordable housing. An action within the emerging Housing Strategy Delivery Plan is the formulation of a Development Strategy which will set out the council's ambitions for the delivery of additional affordable homes. This Development Strategy will need to reflect the borrowing ambitions of the authority and the consequential number of properties that will therefore be funded by the authority and those that will have to be funded by third party organisations.

6.3 **HRA 40 Year Business Plan 2023-2052 – Assumptions**

6.3.1 The HRA 40-year business plan is high level financial planning tool, which provides the financial framework for formulating the medium-term financial plan and the annual budget. The business plan sets out the Council's Housing Strategy in financial terms and contains several key assumptions. These are:

- a. The plan incorporates the Government's Rent Standard which set out current rent setting policy The Rent Standard 2021 allows all registered providers to increase both social and affordable rent by the Consumer Price Index (CPI) plus 1%. Due to the high levels of inflation this year the Government went out to consultation in August to temporarily amend the CPI plus 1% policy. In the Autumn Statement, the Chancellor announced that rents would be capped at 7%. The business plan and medium-term plan assumes CPI at 5% in September 2023 and 2% for all subsequent years.
- b. The plan assumes that for all non-dwelling rents. Including garages and commercial premises that rents will increase by 10% in 2023-24 and by 5% for all subsequent years.
- c. The plan assumes that the costs of all services supplied to tenants and leaseholders will be fully recovered through service charges. In 2023-24 it is assumed that these charges will increase by 10% but will reduce to 5% for all subsequent years.
- d. The plan assumes that repairs and maintenance cost are uplifted annually to reflect the rising costs of materials. These assumptions are formulated in consultation with NPH and in 2023-24 is assumed that inflation will increase by an average of 8% and by 3% for all subsequent years.
- e. Similarly with supervision and management costs, the inflation assumptions are made in consultation with NPH. In 2023-24 it is assumed that there will be a pay award and incremental increases totalling 7% and that other supervision and management costs will increase by 8%, In subsequent years it is assumed that these costs will only increase by 3%.
- f. The business plan also takes into account the assumptions and forecasts contained in the Asset Management Plan (AMP). The AMP sets out the capital expenditure required to repair and renew the existing housing stock over the next 40 years.
- g. Stock numbers are an important assumption in the business plan because they are the main drivers to future income and expenditure. The stock numbers are adjusted to reflect Right

to Buy (RTB) sales as well as acquisitions and dwellings from the new build programme. It is assumed that there will be 104 RTB sales each year.

- h. The assumptions made in formulating and financing the capital programme are also key drivers to the business plan. The phasing of the programme along with the use of RTB receipts and borrowing policy are all important assumptions

6.4 Consultation Feedback from the Draft Budget

- 6.4.1 Feedback received from the public, partners, and other stakeholders through the six-week budget consultation exercise indicates that most respondents were in favour of the proposed rental and service charge increases. Appendix 6 sets out a summary of the HRA consultation feedback.

6.5 Revenue Financial Monitoring Position – 2022-23

- 6.5.1 The HRA is reporting an underspend position of £0.4m against the original budget. The underlying financial position shows pressure of £1m as a result of lower than forecast rental income and increased costs in repairs and maintenance. However, these financial issues have been fully mitigated through reduced interest and capital financing costs as a result of capital programme re-phasing.

6.6 Revenue HRA Budget 2023-24 Changes since the Draft Budget Publication.

- 6.6.1 The assumptions and estimates underpinning the 2023-24 have been continually reviewed since the publication of the draft Budget to ensure the most up to date information is used in the final budget. Table 1 sets out the changes between the draft and final budget.

Table 1 Movement from Draft to Final Budget 2023/24

Description	Draft Budget 2023/24 £,000	Final Budget 2023/24 £,000	Movement £,000
Income			
Rents - Dwellings	(56,188)	(56,714)	(527)
Rents - Non Dwellings	(1,094)	(1,094)	0
Service Charges	(3,372)	(3,372)	0
Other Income	(9)	(9)	0
Total Income	(60,663)	(61,190)	(527)
Expenditure			
Repairs and Maintenance	17,953	17,964	11
General Management	10,808	10,624	(184)
Special Services	6,086	6,089	4
Rents, Rates, Taxes & Other Charges	302	302	0
Increase in Bad Debt Provision	400	400	0
Total Expenditure	35,549	35,379	(170)
Net Cost of Services	(25,114)	(25,811)	(697)
Net Recharges from the General Fund	2,650	2,820	170
Interest & Financing Costs	7,273	8,764	1,491
Revenue Contributions to Capital	1,492	527	(965)
Depreciation	13,699	13,699	0
Contribution to / (from) Reserves	0		0
Deficit/(Surplus)	0	0	0

- 6.6.2 The budget for dwelling rent income has increased by £527k, due to a review of the capital programme and a net increase of approximately 52 properties anticipated to come on stream in 2023-24. This can move within year in line with capital programme delivery changes and market fluctuations.
- 6.6.3 For clarification the figure reported to NPH Board of 6 additions is lower than the figure above as NPH report on completion whereas the HRA budget for rents estimates when those dwellings come onto the rental stream. This means the Riverside completions will be counted by NPH in the current financial year, but for HRA rent accounting budgeted for in 2023-24.
- 6.6.4 Similarly, volatility in the capital markets has resulted in a further review of interest rates and the impact on capital financing costs. It is now anticipated that capital financing cost will be £1.491m higher than previously anticipated in the draft budget due to higher interest rates.
- 6.6.5 The increase in capital financing costs is partly offset by the anticipated increase in rental income, with the balance being met by a reduction in available revenue resources to fund future capital investment.

HRA Budget 2023-24 – Inflation, Growth and Efficiencies

6.6.6 The 2023-24 budget includes provision for inflation of £3.6m, investment in services of £1.9m, which has been offset by efficiencies of £0.7m and additional rental income of £4.7m. A summary of movements from 2022-23 budget is set out in Table 2.

Table 2 - Rent Increases, Inflation Growth and Efficiencies

Description	Final Budget 2023/24 £,000	Total £,000
Rent and Service Charge Increase		
Increase dwelling rents by 7%	(3,184)	
New dwellings coming on stream	(480)	
Increase garage rents by 10%	(125)	
Increase service charges to recover costs	(947)	
Total Rent and Service Charge Increases		(4,736)
Provision for Inflation		
Pay and Increment Provision (7%)	1,388	
Repairs and Contract Inflation (8%)	2,137	
Cleaning and Contract Inflation (8%)	129	
Total Provision for Inflation		3,654
NPH Growth		
Electrical Compliance Testing Regulations	242	
ICT Projects	34	
RSH Survey	40	
Cleaning new communal areas in blocks	93	
Utility costs in New Blocks	336	
Lifelines	38	
Total NPH Growth		783
NPH Efficiencies		
General efficiencies across many budget areas	(184)	
Reduction in Procurement Costs	(45)	
Total NPH Efficiencies		(229)
Other Growth		
Additional tenant support	908	
New Planning Officer Post	60	
New Asset Officer Post	60	
Additional legal and court costs	50	
Adjustments to revenue contributions to capital	(549)	
Total Other Growth		529
Total Rent Increases, Inflation Growth and Efficiencies		-

6.6.7 The growth items are necessary to reflect legislative changes in respect of Electrical Compliance testing and the requirement of the Regulator of Social Housing to conduct a survey in 2023-24.

In addition, Riverside House will come on stream, and this will require additional cleaning and utility costs for communal areas.

6.6.8 It also proposed to provide for two posts to facilitate the New Build and Asset Management programmes. The Planning Officer post will provide additional capacity within the Planning Team to ensure timely support and decision-making in relation to the new council house building programme. Whereas the new Asset Officer post will provide support around the council's property acquisition programme focused on increasing the number of council-owned homes.

6.7 NPH Management Agreement

6.7.1 The HRA pays NPH a contractual payment ("Total Fee") to provide Housing services on behalf of the Council. In addition, NPH receive a fee for the provision of Housing General Fund (HGF) services of £382k which is paid from the General Fund.

6.7.2 The proposed 2023-24 final "Total Fee" has been discussed in partnership with NPH, and takes into account the economic drivers, legislative requirements, current level of budgets and the changes in available funding. NPH have been working with the Council to ensure that a balanced budget can be achieved while trying to mitigate the impact on services.

6.7.3 The only change to the capital and revenue fees proposed in the draft budget are the realignment of the additional asset officer and planning officer posts as well as the extra court costs as these budgets will be retained by the HRA. Table 3 shows a summary of the final 2023-24 Total Fee. A more detailed breakdown can be found in Appendix 4.

Table 3 NPH Management Fee

Description	Draft Budget 2023/24 £,000	Final Budget 2023/24 £,000	Movement £,000
Management - HRA (including Special Services)	16,882	16,712	(170)
Management - GF Housing	382	382	0
Maintenance - Managed Budget Responsive	12,385	12,385	(0)
Maintenance - Managed Budget Cyclical	3,699	3,699	0
Capital - Managed Budget Improvement to Homes	54,780	54,790	10
Capital - Managed Budget Improvement to Environment	2,815	2,815	(0)
Capital - Managed Budget ICT	480	470	(10)
Total Management Fee	91,423	91,253	(170)

6.7.4 The above management and maintenance fees include the provisions for inflation, growth and savings options that are highlighted in Table 2. In totality the management fee has increased by £4.3m since 2022-23, the table below shows the changes from the prior year's budget.

Table 4 NPH Management Fee Changes

Description	Budget 2022/23 £,000	Budget 2023/24 £,000	Movement £,000
Management - HRA (including Special Services)	15,276	16,712	1,436
Management - GF Housing	281	382	101
Maintenance - Managed Budget Responsive	10,250	12,385	2,135
Maintenance - Managed Budget Cyclical	3,062	3,699	637
Sub Total	28,869	33,177	4,308
Capital - Managed Budget Improvement to Homes	66,826	54,780	(12,046)
Capital - Managed Budget Improvement to Environment	2,625	2,815	190
Capital - Managed Budget ICT	496	480	(16)
Total Management Fee	98,816	91,253	(7,563)

6.8.5 Any requirement for a virement to these budgets, or of the Housing General Fund element will be carried out within the rules of the Management Agreement and the relevant delegations set out in the council's constitution.

6.8 HRA Reserves

6.8.1 It is prudent to set aside funds into specific HRA reserves to finance future HRA expenditure including capital financing, risks of leaseholder claims, service improvements and an insurance reserve. The use of the capital reserve is incorporated into the capital programme financing considerations included later in this report.

6.8.2 Table 5 shows the estimated balance of reserves at the end of 2023-24 together with the estimated movement during the year. It is estimated that during the year there will be no contribution to or from reserves. It should be noted that the reserve balances are still provisional at this stage until such time as the legacy Statement of Accounts for 2020-21 are signed off by external audit and therefore are subject to change.

Table 5 Provisional HRA Reserves

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

6.9 Adequacy of Working Balances

6.9.1 The Executive Director of Finance reviews the level of balances required to support the Housing Revenue Account spend annually as part of his risk assessment of the budget.

6.9.2 The Executive Director of Finance has assessed that the minimum level of balances, taking all known risks into account should be held at the current level of £5m for 2023-24. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year.

6.10 HRA Capital Strategy

6.10.1 The HRA Capital Strategy demonstrates how the Council will make expenditure and investment decisions in line with the Corporate Plan. It sets out the key objectives and broad principles to be applied by the Council when considering capital investment and its funding and provides the context for how the Medium-Term Capital Programme seeks to support the realisation of the Council's vision and corporate priorities.

6.10.2 The Strategy also provides details of the Council's planned future capital programme and capital funding expectations. The emphasis will be on ensuring a robust mechanism to deliver our housing priorities within the finances available.

6.10.3 The HRA Capital Strategy forms part of the Council's overarching Capital Strategy which is set out in full with the Council's 2023-24 General Fund Budget report on the same Cabinet agenda.

HRA Capital Programme

6.10.4 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

- 6.10.5 The HRA Capital Programme is informed by the Asset Management Plan which is continually being reviewed and updated with the latest information.
- 6.10.6 Appendix 3 shows the 5-year capital programme as set out in the MTFP. The programme has been capped at the same level that was approved by Council in February 2022. The reason that it has been capped is to control the level of borrowing, as the council continues to balance financing the housing strategy at an optimum level, while ensuring the short to long term financial sustainability of the HRA in terms of its mix of investment to debt.
- 6.10.7 The imposition of the cap has resulted in the re-profiling of the buybacks and acquisitions budget from 2023-24 and 2024-25 into 2025-26. The most significant effect of imposing the cap has been pushed back into 2026-27 and 2027-28 when a £37m has been taken out of the New Build and major projects programme. It can be seen from Table 6 below that in 2026-27 and 2027-28 most of the new build budget has not been allocated to specific projects and remains in the new build pool. Therefore, the imposition of the cap has not resulted in any reductions to existing projects which have been approved and under construction. The imposition of the capital programme cap is a temporary measure whilst the overall borrowing approach for the HRA continues to be reviewed.
- 6.10.8 Table 6 shows the change to the 2023-24 capital programme since the draft budget

Table 6 HRA Capital Programme Changes since Draft Budget

Description	Draft Budget 2023/24 £,000	Final Budget 2023/24 £,000	Movement £,000
External Improvements	21,610	14,574	(7,037)
Energy Efficiency Measures - Net Zero		5,000	5,000
Internal Works	2,134	2,214	80
Structural Works and Compliance	461	1,412	952
Disabled Adaptations	1,285	2,300	1,015
Environmental Improvements	2,815	2,815	0
IT Development	480	470	(10)
New Build Programme/Major Projects	29,291	29,291	0
Buybacks and Spot Purchases	3,365	3,365	0
Total Capital Expenditure	61,440	61,440	0
Capital Financing			
Major Repairs Reserve/Depreciation	(13,699)	(13,699)	0
Capital Receipts - (non - restriction)	(2,487)	(3,135)	(647)
Capital Receipts - RTB 1-4-1	(9,768)	(6,425)	3,343
Grant Funding	(10,094)	(10,094)	0
Revenue/Earmarked Reserve	(1,492)	(527)	965
Borrowing / CFR	(23,900)	(27,561)	(3,660)
Total Capital Financing	(61,440)	(61,440)	0

6.10.9 The main change to the capital programme since the draft budget is the proposal put forward by NPH to reallocate £7m of the external improvements budget to reflect the changing needs of the Asset Management Plan (AMP) and the demands for energy efficiency measures to alleviate fuel poverty, The £7m budget will be reallocated as follows:

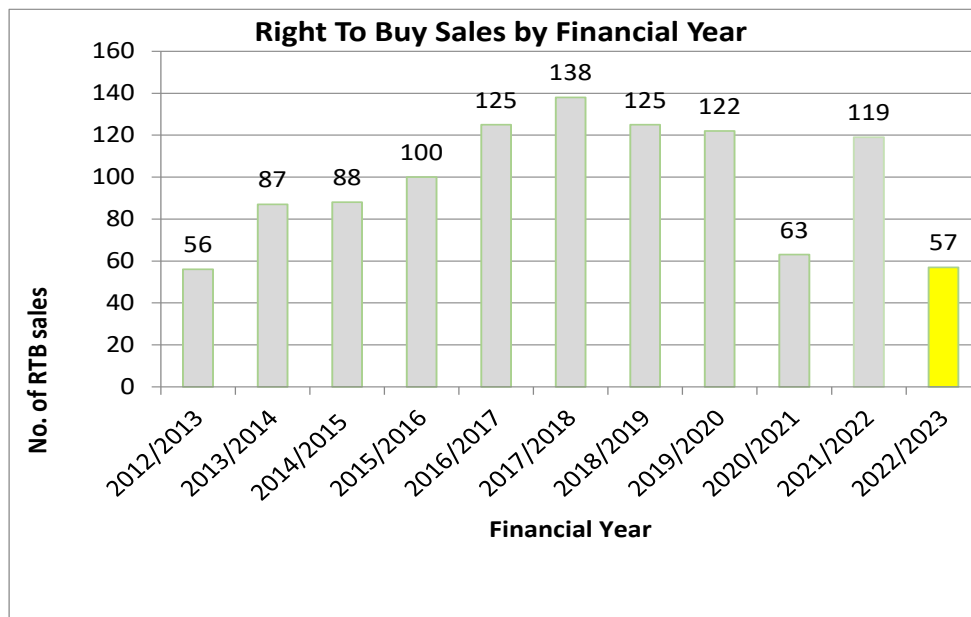
- I. To create a £5m energy efficiency budget to provide for new measures
- II. To increase by £952k the compliance budget to reflect changes to building regulations
- III. To provide £1m additional resources to fund more complex disabled adaptations

6.10.10 Included in the capital programme for 2023-24 is a significant investment in the New Build programme (£29.3m). The indicative budgeted MTP investment in new build is forecast to deliver a steady stream of new council dwellings of approximately 200 per year. This ability to investment reflects the removal of the HRA Debt Cap from October 2018 and the ability to prudentially borrow within the HRA.

6.10.11 The medium-term capital plan assumes significant investment in new builds over the next 5 years, this is continuously monitored and reviewed along with the Council’s HRA prudential borrowing and affordability. NPH will continue to work closely with the Council to deliver the new build programme for new social and affordable homes over the coming years. This will help the Council to address the severe shortage of affordable housing in Northampton and reduce the rate at which the Council’s housing stock is reducing through Right to Buy.

6.10.12 Right to Buy (RTB) sales continue to be relatively high due to the increase in discount levels introduced from April 2012. The level of stock loss through RTB sales is set out in the graph below:

Graph 1 Right to Buy Sales



6.10.13 It can be seen from Graph 1, that whilst there was a drop in sales in 2020-21 due to the Covid 19 restrictions, the actual sales in 2021-22 were back to pre-pandemic levels. However, due to rising inflation and the increase in interest and mortgage rates sales have fallen in the third quarter of 2022-23, with 57 sales completed.

6.10.14 In April 2021 the Government announced changes to the rules surrounding the use of RTB receipts. These include the extension of the timeframe for spending RTB receipts on

replacement homes from 3 to 5 years, increasing the proportion of a replacement home that can be funded from 30% to 40% and extending the scope to include shared ownership and first homes.

- 6.10.15 The rules allow deductions from the gross receipt to determine the amount which must be spent on the 1-4-1 replacement of housing stock. These are restricted receipts and must be used within 5 years. Set out in Table 7 is the estimated number of restricted receipts which will be received and used over the medium-term financial plan, (MTFP).

Table 7 Restricted RTB Receipts for 1-4-1 Replacement of Dwellings

Description	Estimate 2023-24 £,000	Estimate 2024-25 £,000	Estimate 2025-26 £,000	Estimate 2026-27 £,000	Estimate 2027-28 £,000
Receipts Brought Forward 1st April	(10,252)	(7,972)	(5,351)	(124)	0
Receipts Received in Year	(4,144)	(4,186)	(4,227)	(4,270)	(4,312)
Receipts used to finance New Dwellings	6,425	6,806	9,454	4,394	4,312
Receipts Carried Forward 31st March	(7,972)	(5,351)	(124)	0	0

- 6.10.16 It can be seen from Table 7 that the proposed growth in the capital programme will result in all the restricted receipts being used by the end of 2025-26. This will mean that for subsequent years the council will only be able to use the receipt generated in the year which will impact on the new build programme and the HRA, unless it can secure Homes England grant for specific future projects.
- 6.10.17 The unrestricted element of the RTB receipts can be used for any capital purpose and set out in Table 8 is an estimate of the capital receipts available to fund the housing capital programme. As it can be seen from the table all the receipts received are planned to be used in year.

Table 8 Unrestricted RTB Receipts to finance any capital expenditure

Description	Estimate 2023-24 £,000	Estimate 2024-25 £,000	Estimate 2025-26 £,000	Estimate 2026-27 £,000	Estimate 2027-28 £,000
Receipts Brought Forward 1st April	0	0	0	0	0
Receipts Received in Year	(3,135)	(3,178)	(3,222)	(3,266)	(3,311)
Receipts used to finance CAPEX	3,135	3,178	3,222	3,266	3,311
Receipts Carried Forward 31st March	0	0	0	0	0

6.11 HRA Capital Programme 2023/24 – Current Investment Proposals

- 6.13.1 The final budget reflects ongoing investment in new council housing to deliver existing committed schemes and new proposed pipeline schemes over the medium term. This investment, as well as delivering new council houses, enables the council to fulfil its agreement with Treasury with regards to spending retained one for one right to buy receipts on additional affordable housing. These new build schemes include the developments at Berkeley House, Derwent Drive and New Southbridge Road.

6.13.2 Set out in Table 9 is a list of all pipeline schemes over £1m.

Table 9 - Major New Build Schemes over £1m

Name of Scheme	Total Scheme Cost £,000	Previous Years Expenditure £,000	Estimate 2023-24 £,000	Estimate 2024-25 £,000	Estimate 2025-26 £,000	Estimate 2026-27 £,000	Estimate 2027-28 £,000
Berkeley House & St. Marys House (Roof Gardens)	13,861	4,873	4,999	3,989			
Derwent Drive, Kings Heath	1,298	248	1,050				
Fraser Road, Thorplands	21,916	244	-	2,044	19,628		
Belgrave House / Clock House, Town Centre	14,030	2,468	1,800	6,000	3,457	305	
Ringway (3), Briar Hill	1,814	414	1,400				
New Southbridge Road	4,920	120	4,800				
Avenue Campus	31,481	4,963	9,265	12,965	3,573	715	
Montague Crescent, Duston	2,296	396	1,900				
Ecton Brook Care Home	3,239	41	584	2,614			
Harefield Road, Blackthorn	1,459	22	96	1,189	152		
Feasibility Schemes			1,500	1,500	1,500	1,500	
New Build Pool				-	5,000	24,360	25,258

6.13.3 Most new build schemes are funded by RTB receipts with the balance financed from borrowing. Where schemes qualify the Council bids for grant funding from Homes England. Councils are not allowed to use RTB receipts for schemes which are grant funded and therefore there is a continuing need to borrow. An investment appraisal is undertaken for every scheme to ensure that it is affordable and provides value for money.

6.13.4 The new build programme has a direct impact on the revenue position of the HRA because the cost of borrowing is reflected in the capital financing charges that are charged to the revenue account. In addition, the funding of the capital programme depends on a direct contribution from revenue.

Energy Efficiency and Decarbonisation

- 6.13.5 The final budget includes significant investment in decarbonisation and energy efficiency. Successful funding bids, through the government’s Social Housing Decarbonisation Programme (SHDF) has enabled the scope of planned investment programme to be optimised into a whole retrofit programme for a selection of over 500 properties across two SHDF waves.
- 6.13.6 The SHDF scheme, grant funded by the Department of Business, Energy, and Industrial Strategy (BEIS), has seen the Council in conjunction with NPH, receive grant funding of more than £9 million to deliver these schemes. A further bid for SHDF wave 2 has recently been submitted. If successful, this could bring in a further £1.2m of funding to support the retrofit of a further 100 council properties.
- 6.13.7 As part of the successful bids the Council, as the grant recipient has entered a Memorandum of Understanding (MOU) with BEIS. The MoU sets out conditions that the council must adhere to when it accepts the grant, including what the grant may be used for and the reporting requirements.
- 6.13.8 The SHDF funding for BEIS cannot as a rule be mixed with other forms of Grant funding however BEIS have agreed that a discrete (and complimentary) package of works can be funded alongside each other. The Council, in conjunction with NPH has attracted grant funding of £180k through Green Homes Grant (LAD2) funding for a mixture of air source heat pumps and solar PV package of works on 36 council homes.

6.14 Financing the Capital Programme and Borrowing

- 6.14.2 Set out in Appendix 3 is the Medium-Term Capital Programme 2023-2028 along with details of how it is financed. The capital programme is financed primarily from the contribution from the Major Repairs Reserve, grants, restricted and unrestricted RTB receipts, revenue contributions and borrowing.
- 6.14.3 The amount that the HRA has to borrow is known as the capital financing requirement (HRACFR) and set out in Table 10 is the HRACFR over the MTFP

Table 10 HRA Capital Financing Requirement 2023 to 2028

Description	Estimate	Estimate	Estimate	Estimate	Estimate
	2023-24	2024-25	2025-26	2026-27	2027-28
	£,000	£,000	£,000	£,000	£,000
Capital Financing Requirement Brought Forward 1st April	256,869	284,430	317,557	362,205	383,245
New Borrowing in Year	27,561	33,128	44,648	21,040	16,105
Capital Financing Requirement Carried Forward 31st March	284,430	317,557	362,205	383,245	399,351

- 6.14.4 Table 10 shows that the level of the HRACFR is rising in every year of the MTFP. Benchmarking data shows that the Council is currently around the median level in terms of average debt per

property and gearing, but this position is likely to shift as more borrowing is undertaken to finance new build and acquisitions. The capital financing requirement goes hand in hand with the level of borrowing the council is prepared to enter and therefore the above figures are likely to change once the final borrowing strategy for the HRA has been determined.

- 6.14.5 Appendix 3 shows the HRA MTFP, and the interest and financing charges represent the budget required to service the debt. The average rate of interest currently charged to the HRA is 3% and this is partly due to the level of long-term Public Works Loan Board (PWLB) debt taken out when the Government replaced the subsidy system with self-financing in April 2012.
- 6.14.6 There is an element of the loan portfolio which is not covered by long-term loans, and this is known as the unfunded HRACFR. It is this element of portfolio which is at risk from volatile short-term interest rates. This is managed as part of the Council's Treasury Management Strategy which is set out elsewhere on this agenda.
- 6.14.7 There is currently no provision in the HRA budget for the repayment of debt because current policy is to replace existing debt with new debt when the loan matures. The MTFP shows that this is affordable but there is an interest rate risk associated with this policy. The Executive Director of Finance is currently working with our specialist advisors to look at the long-term implications for the new build programme of introducing a policy for the repayment of debt.

7 Implications (including financial implications)

7.13 Resources and Financial

- 7.13.2 The resource and financial implications of the Council's draft plans are set out in the body of, and appendices to this report.

7.14 Legal

- 7.14.2 The setting of the budget is carried out in accordance with the Budget and Policy Framework Procedure Rules set out in the Constitution.
- 7.14.3 The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).
- 7.14.4 The robustness of the proposed estimates and the adequacy of the proposed reserves must be addressed in the formal report to be made in February 2023 to both the Cabinet and the Full Council by the Chief Finance Officer (Section 151 Officer). This report is required under Section 25 of the Local Government Act 2003. This report is contained within the general fund final budget proposals considered elsewhere on the agenda but does cover the HRA budget and reserves.

7.15 Risk

- 7.15.2 Whilst the progress made in compiling the statutory accounts for predecessor authorities provides some reassurance regarding the levels of inherited reserves, provisions and liabilities, these accounts are still subject to audit and as such there remains a risk that there may be some changes. The level of balances and reserves is considered sufficient to manage these risks.
- 7.15.3 Significant risks remain in the HRA budgets such as cost of materials and supply chain issues impacting on delivery of programmes of work, particularly in light of the ongoing impact of Covid-19, Brexit, and the cost of living crisis. These have potential ongoing impacts on tenants of the Council.
- 7.15.4 The detailed HRA budgets are subject to continual review and refinement and budgets will continue to be reviewed and refined as part of the on-going budget monitoring process.

7.16 Consultation

- 7.16.2 The general fund and HRA budget were subject to a public consultation which closed on 31st January 2023. The analysis relating to this exercise is included in Appendix 6. The majority of respondents were in agreement with the rental increase of the maximum 7%, and the increases in garage rent of 10%. The majority of respondents disagreed with the service charges increase of 10%.

7.17 Consideration by Overview and Scrutiny

- 7.17.2 No specific comments raised by Overview and Scrutiny.

7.18 Climate Impact

- 7.18.2 Any potentially negative environmental impacts, especially with regard to climate change issues, were considered as part of each of the medium-term planning options submitted. They seek to avoid any negative environmental.
- 7.18.3 Northampton Partnership Homes ('NPH') has a published Sustainability Strategy underpinned by One Planet Living Principles which are being embedded into its entire operation.
- 7.18.4 NPH is integrating sustainability and biodiversity into both its new build programme and neighbourhood investment.

7.19 Community Impact

- 7.19.2 An overall Equality Impact Assessment has been completed for the HRA budget proposals for 2023-24. The potential impact of the proposals on those groups has been assessed and, taking into account mitigating action that is planned or that is in place the proposals are considered to have no or low negative impact and in some cases a positive impact on service users. In light of

the ongoing cost of living crises the budget includes provision for the creation of a Hardship Fund as additional support to tenants.

8 Background Papers

8.1 The following documents disclose important facts on which the report is based and have been relied upon in preparing the report

- Autumn Statement – November 2022
[Autumn Statement 2022 HTML - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/autumn-statement-2022)
- West Northamptonshire Council budget 2022-23, approved 24 February 2022
[Agenda for Council on Thursday 24th February 2022, 6.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/2022/02/24/council-agenda-24th-february-2022)
- West Northamptonshire 2023-24 Draft Budget and Medium Term Plan, approved 20 December 2022
[Agenda for Cabinet on Tuesday 20th December 2022, 6.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/2022/12/20/cabinet-agenda-20th-december-2022)