

# WEST NORTHAMPTONSHIRE COUNCIL CABINET

13<sup>th</sup> FEBRUARY 2024

## CABINET MEMBER FOR FINANCE – COUNCILLOR MALCOLM LONGLEY

Report Title	Housing Revenue Account Budget 2024-25 and Medium-Term Financial Plan
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## **1. Purpose of Report**

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- 1.1. This report sets out the Housing Revenue Account (HRA) Budget 2024-25 and HRA Medium-Term Financial Plan for West Northamptonshire Council following a period of public consultation, budget scrutiny and continued 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 2024-25 and to set out the future years' projections to 2028-29 for recommendation to Full Council on 22 February 2024.

## **2. Executive Summary**

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- 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 an 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 part of 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 for 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 inflationary 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 To help maintain and protect levels of service provision and the future sustainability of the HRA the 2024-25 budget includes a rent increase of 7.7% in line with the maximum limit set by government. This rental increase will contribute £3.9m 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.
- 2.6 The key planning assumptions for the 2024-25 budget include the following:

### **Revenue Budget**

- A balanced revenue budget achieved in challenging circumstances.
- An average increase in Housing rent of 7.7% in line with Government guidance, (£8.00 per week commencing 1 April 2024).

- An increase of 7.7% in service charges from 1 April 2024.
- A 7.7% increase in garage rents and commuter surcharges from 1 April 2024.
- A total of £2.1m for inflationary increases in employee pay costs, repairs maintenance and regulatory demands.
- Investment of £2.8m for a range of regulatory, and health and safety requirements and technical adjustments relating to investment in existing stock around depreciation and interest and financing costs.
- Efficiencies of 0.9m which ensure best use of resources.

### **Capital Programme**

- Investment in existing stock in the capital programme of £19m to improve and maintain the housing stock incorporating some decarbonisation and net zero works.
- New build investment in the capital programme of £26m to deliver new homes of which 82 are anticipated to come on stream in 2024-25.
- Further key investment in the following:
  - £10m for dwelling acquisitions and buyback programme
  - £2.3m for additional disabled adaptations
- Prudent use of borrowing. The 5-year capital programme is consistent with last year's 5 year total at £286m.

## **3. Recommendations**

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- 3.1 That Cabinet recommends Council to approve: -
- a) The HRA revenue budget for 2024-25 of £65.49m.
  - b) An average maximum rent increase of 7.7% per dwelling, in line with the legislation and the government's amended national rent standard, to take effect from 1 April 2024.
  - c) An average maximum increase of 7.7% in garage rents and commuter surcharges to take effect from 1 April 2024.
  - d) An average increase of 7.7% in tenants and leaseholders service charges with effect from 1 April 2024.
  - e) The HRA capital programme for 2024-25, noting the future year estimated commitments, and proposed sources of finance.
  - f) The total management fee of £34.9m for NPH to deliver the HRA services in scope for 2024-25.
  - g) The setting of the working balance at £6m, with the assessed minimum level of £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.
  - i) That authority be given to the Executive Director of Finance to update the prudential indicators in the Treasury Management Strategy reported to Council.
  - j) That authority be delegated to the Executive Director of Finance in consultation with the portfolio holder for Finance to amend the capital programme for 2024-25 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.

- k) That authority be delegated to the Executive Director of Finance to make any technical changes necessary to the papers for the Council meeting of 22 February 2024.

#### **4. Reason for Recommendations**

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- 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 within national standards in relation to rent increases and is able to meet its wider duties and obligations to tenants.

#### **5. Report Background**

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- 5.1 This report sets out HRA Budget 2024-25 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 2024-25 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. The total housing stock is managed on behalf of the Council by NPH. As part of this role all responsive and cyclical maintenance budgets are managed by NPH along with the bulk of general management and special services budgets. 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.

## 6. Issues and Choices

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### 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 Council's Housing Strategy covering the whole WNC area sets out the strategic direction for new affordable housing delivery both by the council and by other partners. The West Northants Housing Strategy 2022-2025 was approved by Cabinet in September 2022. This strategy is built around four themes and their associated objectives:

- **Theme 1:** Deliver homes people need and can afford
- **Theme 2:** Improve the quality, standard and safety of homes and housing services
- **Theme 3:** Support residents to live healthy, safe, independent and active lives
- **Theme 4:** Support thriving and sustainable communities

6.2.2 One of the objectives within the Housing Strategy is to formulate an affordable housing delivery plan, this will include the financial implications associated with it. This delivery plan will need to reflect the borrowing ambitions of the authority and the consequential number of properties that will therefore be funded by the authority and those that will have to be funded by third party organisations. This delivery plan will be finalised in early 2024.

### 6.3 HRA 40 Year Business Plan 2024-2063

6.3.1 The HRA 40-year business plan is high level financial planning tool, which provides the financial framework and sets out the Council's priorities and resources available to deliver them over the next 40 years. The business plan sets out the Council's Housing Strategy and Asset Management Strategy in financial terms. The plan provides a baseline position, showing what can be delivered with the money currently forecast to be available to the HRA over the period of the Plan.

6.3.2 The financial business plan is updated to reflect any changes in central or local policy and to ascertain the future sustainability of the HRA. The current business plan has been refreshed with the draft budget position in conjunction with NPH and is being further updated for the final budget for 2024-25 incorporating the latest asset management plan information from NPH.

6.3.3 This is being carried out at the same time as the Council via NPH, who are undertaking a new detailed stock condition survey which will result in further updating of the business plan in 2024-25 to incorporate this information to better inform investment needs in the existing stock base and capacity available to replace current stock.

#### 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 – 2023-24**

6.5.1 The HRA is reporting a balanced position against the original budget. The position includes a shortfall in rental income and service charges of £0.3m due to new build properties coming on stream slower than expected and an increase in the depreciation charge of £0.3m which is partly offset by reductions in borrowing costs due to major capital scheme re-phasing and an improved bad debt position. In addition to this a detailed review of HRA retained budgets has highlighted a number of legacy budgets that are no longer used, reflected in the £0.3m forecast underspend within General Management which brings the HRA into balance overall.

#### 6.6 **Revenue HRA Budget 2024-25 Changes since the Draft Budget Publication and Medium-term Plan Assumptions**

6.6.1 The assumptions and estimates underpinning the 2024-25 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 which is shown in Appendix 1. Table 1 sets out the changes between the draft and final budget.

**Table 1 Movement from Draft to Final Budget 2024/25**

Description	Draft Budget 2024/25 £,000	Final Budget 2024/25 £,000	Movement £,000
<b>Income</b>			
Rents - Dwellings	(60,603)	(60,692)	(89)
Rents - Non Dwellings	(1,178)	(1,178)	0
Service Charges	(3,609)	(3,609)	0
Other Income	(9)	(9)	0
<b>Total Income</b>	<b>(65,400)</b>	<b>(65,489)</b>	<b>(89)</b>
<b>Expenditure</b>			
Repairs and Maintenance	19,195	19,190	(5)
General Management	11,096	10,986	(110)
Special Services	6,098	6,048	(51)
Rents, Rates, Taxes & Other Charges	342	342	0
Increase in Bad Debt Provision	409	409	0
<b>Total Income</b>	<b>37,140</b>	<b>36,974</b>	<b>(166)</b>
<b>Net Cost of Services</b>	<b>(28,260)</b>	<b>(28,515)</b>	<b>(255)</b>
Net Recharges from the General Fund	2,947	3,127	180
Interest & Financing Costs	9,786	9,561	(225)
RCC / Voluntary Repayment Contributions	1,528	1,528	0
Depreciation	14,000	14,300	300
Contribution to / (from) Reserves	0		0
<b>Deficit/(Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>

- The budget for dwelling rent income has increased by £89k, due to a refresh of the Right To Buy calculations within the current year which increased the opening stock position for the 2024-25 budget resulting in more rent due in year.
- The final budget reflects a lower increase in direct costs to NPH, than the draft budget, with reduced growth in Repairs and Maintenance, General Management and Special Services lines.
- Net recharges from the General fund to the retained HRA have increased by £180k which relates to one new post to support the delivery of additional regulatory requirements needed to ensure compliance with the Regulator requirements, plus an increase in officer and management time on HRA activity.
- Interest and financing costs have decreased by £225k due to a refresh of the financing of the capital programme, incorporating revised estimates for Major Repairs Reserve and capital receipts, reducing the forecast need to borrow over what was estimated for the draft budget.

- The increase in depreciation of £300k reflects the latest information around asset valuations, disposals, acquisitions and new builds.

### **Revenue MTP Key Assumptions**

- 6.6.2 The plan incorporates the Government's Rent Standard which set out current rent setting policy. The Rent Standard 2024 allows all registered providers to increase both social and affordable rent by the Consumer Price Index (CPI) plus 1%. In the Autumn Statement, the Chancellor announced that the maximum rents could rise would be September CPI which was 6.7% plus 1% a total of 7.7%. The medium-term plan prudently assumes CPI at 2% in September 2024 and 2% for all subsequent years.
- 6.6.3 The plan assumes that for all non-dwelling rents. Including garages and commercial premises that rents will increase by 7.7% in 2024-25 and by 3% for all subsequent years.
- 6.6.4 The plan assumes that the costs of all services supplied to tenants and leaseholders will be fully recovered through service charges. In 2024-25 it is assumed that these charges will increase by 7.7% and by 3% for all subsequent years.
- 6.6.5 The plan assumes that repairs and maintenance cost are uplifted annually to reflect the rising costs of materials and are formulated in conjunction with NPH. In 2024-25 and subsequent years the increases have been capped and are subject to further review on the back of the stock condition surveys currently being rolled out by NPH. This information will better inform the repairs and maintenance revenue budget requirements over the medium to long term.
- 6.6.6 Similarly with supervision and management costs, the inflation assumptions are made in consultation with NPH. In 2024-25 it is assumed that there will be a pay award of 4.5% and 2% for all subsequent years.
- 6.6.7 Stock numbers are an important assumption in the medium-term 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 RTB sales will increase from current levels but are not likely to reach pre-covid levels over the medium term.

### **HRA Budget 2024-25 – Inflation, Growth and Efficiencies**

- 6.6.8 The 2024-25 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 2023-24 budget is set out in Table 2.



**Table 2 - Rent Increases, Inflation Growth and Efficiencies**

Description	Movement from 2023/24 £,000	Total £,000
<b>Rent and Service Charge Increase</b>		
Increase dwelling rents by 7.7%	(3,916)	
Increase non dwelling rents by 7.7%	(84)	
Increase Service charges by 7.7%	(255)	
Increase rechargeable repairs by 7.7%	(1)	
<b>Total Rent and Service Charge Increases</b>		<b>(4,256)</b>
<b>Provision for Inflation</b>		
Pay and Increment Provision 4.5%	130	
General Management - Insurance Contract Inflation	121	
<b>Total Provision for Inflation</b>		<b>251</b>
<b>NPH Growth</b>		
Compliance and regulatory requirements	1,029	
Stock Condition Survey	600	
Contract Inflation (Gas servicing, Fleet, Emergency lighting)	516	
<b>Total NPH Growth</b>		<b>2,145</b>
<b>Other Growth</b>		
Registration Fees proposed for Landlords	92	
Service Investment	20	
Increase in Depreciation	601	
Increase in Interest and Financing costs	791	
Introduction of Voluntary Repayment Contributions	1010	
Decrease income for Court costs recovered	19	
Include Legacy DDC Shared Ownership expenditure	10	
Increase in Recharges from the General Fund to the HRA	180	
Right size Rents, Rates and Taxes	40	
<b>Total Other Growth</b>		<b>2,763</b>
<b>Other Efficiencies</b>		
Review existing retained General management budgets	(458)	
Right size staffing budgets	(9)	
Include Legacy DDC Shared Ownership income	(62)	
Removal of existing one off budget	(374)	
<b>Total Other Efficiencies</b>		<b>(903)</b>
<b>Total Rent Increases, Inflation Growth and Efficiencies</b>		<b>(0)</b>

6.6.9 The growth items are necessary to either reflect legislative changes mainly in respect of regulatory compliance and reporting as a requirement of the Regulator of Social Housing, or of a technical nature to ensure that liabilities are prudently accounted for.

- 6.6.10 To support the acquisitions programmes across the various schemes available, a new general fund post is proposed, a proportion of which will be charged to the HRA for the work focussed on acquiring dwellings for the HRA. A review of senior officer time spent on HRA work has resulted in an increase to the recharge.
- 6.6.11 Voluntary repayment contributions are prudently increased to reflect the minimum level of revenue contributions to fund the capital programme, effectively recycling revenue surpluses to minimise the level of borrowing required to fund capital. These are based on a standard calculation of a provision for repayment of debt.
- 6.6.12 Interest and financing costs reflect the increase in the Capital financing requirement based on the level of borrowing needed to invest in the new build programme and existing stock.
- 6.6.13 A general zero-based sweep of retained HRA budgets has resulted in some budgets being released and repurposed to help fund the growth in other areas.

## 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 to this, NPH also receive a fee for the provision of Housing General Fund (HGF) services of £423k which is paid from the General Fund.
- 6.7.2 The proposed 2024-25 final “Total Fee” has been reviewed and discussed in partnership with NPH and takes into account the national and local 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 main change to the capital and revenue fees proposed in the draft 2024-25 budget are the realignment of the direct recharges to NPH reflecting a lower figure than was put forward in the draft by NPH. These are shown over the Management, Repairs and Maintenance and Special services rows in table 3 below.
- 6.7.4 Table 3 shows a summary of the final 2024-25 Total Fee. A more detailed breakdown can be found in Appendix 4.

**Table 3 NPH Management Fee**

Description	Draft Budget 2024-25 £,000	Final Budget 2024-25 £,000	Movement £,000
Management - HRA (including Special Services)	18,200	17,765	(435)
Maintenance - Managed Budget Responsive	13,118	13,226	108
Maintenance - Managed Budget Cyclical	3,918	3,950	32
Management - General Fund Housing	423	423	-
<b>Total Revenue (including General Fund element)</b>	<b>35,659</b>	<b>35,364</b>	<b>(295)</b>
Capital - Managed Budget Improvement to Homes	44,005	48,478	4,473
Capital - Managed Budget ICT	335	599	264
<b>Total Capital</b>	<b>44,340</b>	<b>49,077</b>	<b>4,737</b>
<b>Total Management Fee</b>	<b>79,999</b>	<b>84,441</b>	<b>4,442</b>

6.7.5 The above management and maintenance fees include the provisions for inflation, growth and savings options that are highlighted in Table 2. The management fee (excluding capital programme) has increased by £2.2m since 2023-24, the table below shows the changes from the prior year's budget.

**Table 4 NPH Management Fee Changes**

Description	Budget 2023-24 £,000	Final Budget 2024-25 £,000	Movement £,000
Management - HRA (including Special Services)	6,712	17,765	1,053
Maintenance - Managed Budget Responsive	12,385	13,226	841
Maintenance - Managed Budget Cyclical	3,699	3,950	251
Management - General Fund Housing	382	423	41
<b>Total Revenue (including General Fund element)</b>	<b>33,178</b>	<b>35,364</b>	<b>2,186</b>
Capital - Managed Budget Improvement to Homes	54,790	48,478	(6,312)
Capital - Managed Budget Improvement to Environment	2,815	-	(2,815)
Capital - Managed Budget ICT	470	599	129
<b>Total Capital</b>	<b>58,075</b>	<b>49,077</b>	<b>(8,998)</b>
<b>Total Management Fee</b>	<b>91,253</b>	<b>84,441</b>	<b>(6,812)</b>

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.

## HRA Reserves

- 6.7.6 It is prudent to set aside funds into specific HRA reserves to finance future HRA expenditure including capital financing and service improvement reserve. The reserves review in 2023-24 has consolidated a number of small reserves and included them now in working balances reflected in the proposed higher £6m balance. The use of the capital reserve is incorporated into the capital programme financing considerations included later in this report.
- 6.7.7 Table 5 shows the estimated balance of reserves at the end of 2024-25 together with the estimated movement during the year. The movement in year reflects the proposed drawdown for the second half of the funding required to move NPH from the unsupported Agresso finance system onto the same platform as the council, ERP Gold. The equivalent drawdown is expected in the current year. It should be noted that the reserve balances are still provisional at this stage until such time as the Statement of Accounts for 2021-22 and 2022-23 are signed off by external audit, and therefore are subject to change.

**Table 5 Provisional HRA Reserves**

<b>Reserves</b>	<b>Provisional Balance 01/04/2024 £'000</b>	<b>Received in Year £'000</b>	<b>Applied in Year £'000</b>	<b>Balance 31/03/2025 £'000</b>
HRA Service Improvement Reserve	(650)	0	100	(550)
Total HRA Reserves	(650)	0	100	(550)
Working Balances	(6,000)	0	0	(6,000)
Total HRA Reserves	(6,650)	0	100	(6,550)

## 6.8 Adequacy of Working Balances

- 6.8.1 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.
- 6.8.2 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 2024-25. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year and is contained in the £6m working balances shown in table 5 above.

## 6.9 HRA Capital Strategy

- 6.9.1 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.

- 6.9.2 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.
- 6.9.3 The HRA Capital Strategy forms part of the Council's overarching Capital Strategy which is set out in full with the Council's 2024-25 General Fund Budget report on the same Cabinet agenda.

### **HRA Capital Programme**

- 6.9.4 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.
- 6.9.5 The HRA Capital Programme is informed by the Asset Management Plan which is continually being reviewed and updated with the latest information. The final budget incorporates the indicative latest NPH work to update the asset management plan based on a desktop exercise.
- 6.9.6 A comprehensive stock condition survey is being carried out in the current year and first half of 2024-25 which will better inform future investment requirements in net zero and stock improvement, and the funding required to finance the programme. The resulting refresh of the HRA Business plan will inform the capacity within the HRA to deliver the investment including the level of borrowing affordable by the HRA. It is expected that the stock condition survey work will result in a further recast/s of the capital programme at various stages of the delivery of this work next year.
- 6.9.7 Appendix 3 shows the 5-year capital programme as set out in the MTFP. For 2023-24 the programme was capped at the same level that had been approved in February 2022. The reason for this was 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. The imposition of the cap was a temporary measure whilst the overall borrowing approach for the HRA was under review. This review concluded in the introduction of a minimum level of voluntary repayment contribution calculation on revenue contributions to fund capital, effectively recycling revenue surpluses to help control levels of borrowing.
- 6.9.8 The capital programme is subject to review and will be better informed through the stock condition surveys which are currently being carried out providing the Council with up to date information on the investment needs of the stock.
- 6.9.9 Table 6 shows the change to the 2024-25 capital programme since the draft budget.

**Table 6 HRA Capital Programme Changes since Draft Budget**

Description	Draft Budget 2024-25 £,000	Final Budget 2024-25 £,000	Movement £,000
External Improvements/Structural Works	6,984	8,784	1,800
Internal Works	10,551	10,551	0
Disabled Adaptations	2,300	2,300	0
Windows	86	86	0
IT Development	335	599	264
New Build Programme/Major Projects	24,083	26,307	2,223
Structural Works (Estate Shops)	-	450	450
Buybacks and Spot Purchases	10,000	10,000	0
<b>Total Capital Expenditure</b>	<b>54,340</b>	<b>59,077</b>	<b>4,737</b>
<b>Capital Financing</b>			
Major Repairs Reserve/Depreciation	(14,000)	(14,300)	(300)
Capital Receipts - (non - restriction)	(1,441)	(1,441)	0
Capital Receipts - RTB 1-4-1	(12,413)	(13,182)	(770)
Grant Funding	(806)	(806)	0
Revenue/Earmarked Reserve	(1,528)	(1,528)	0
Borrowing / CFR	(24,153)	(27,820)	(3,668)
<b>Total Capital Financing</b>	<b>(54,340)</b>	<b>(59,077)</b>	<b>(4,737)</b>

- 6.9.10 The main change to the capital programme since the draft budget is re-phasing of some current year programme into 2024-25. This mainly relates to re-phasing of Neighbourhood schemes work and slippage on the new build programme of £4.4m. The only new scheme is the introduction of capital budget for Estate Shops needed for structural works and compliance.
- 6.9.11 Included in the capital programme for 2024-25 is a significant investment in the New Build programme (£26.3m). The indicative budgeted medium term investment in new build is forecast to deliver a steady stream of new council dwellings of approximately 157 per year. This ability to invest reflects the removal of the HRA Debt Cap from October 2018 and the ability to prudentially borrow within the HRA.
- 6.9.12 The new build programme 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.
- 6.9.13 Appendix 7 provides a list of all the pipeline schemes over £1m for information.
- 6.9.14 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.

- 6.9.15 In addition to this the Acquisitions and buy back programme is expected to deliver over the medium term at an average of 19 per year, with 44 being delivered in 2024-25.

### **Fire Safety Investment**

- 6.9.16 Fire Safety Regulations 2022 made it a legal requirement from 23 January 2023 for responsible persons of high-rise residential buildings in England to provide their local fire and rescue service with information about the design and materials of the building's external walls and to inform their local fire and rescue service of any material changes to them. Following a fire risk assessment of external wall structures for those properties over 11 metres in height it was necessary to invest in removing some materials in the current financial year and this work costing £1.3m was completed before Christmas. The council will need to make a decision then within 12 months to plan whether to replace removed materials and deliver on a number of other improvement works on the identified blocks to ensure safety and compliance with the regulations. The costs of the solutions and options on recladding is not currently known and therefore not included in the draft capital programme. The options and costings will be brought back to council next year and business case brought forward. It is worth noting that these works are outside of the 2012 financing settlement for HRA's and are likely to require additional funding. The detailed stock condition work currently carried out will inform the revised programme.

### **Decarbonisation Investment**

- 6.9.17 Although the focus of the Capital Programme is to maintain and improve the Council's homes as part of that there is an increased focus on providing low carbon sustainable homes.
- 6.9.18 Built into the current year budget and 2024-25 proposed budget is some investment in decarbonisation. Successful funding bids, through the governments Social Housing Decarbonisation Fund (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 the Demonstrator and SHDF Wave 1 and 2 schemes. The current Wave 2 programme is due to finish in 2024.
- 6.9.19 The SHDF scheme, grant funded by the Department of Energy Security and Net Zero (DESNZ), previously known as Department of Business, Energy, and Industrial Strategy (BEIS), has seen the Council in conjunction with NPH, receive grant funding in excess of £9m to deliver these schemes. The most recent bid for SHDF Wave 2 was successful and brought in £1.2m of funding to support the retrofit of a further 101 Council homes.
- 6.9.20 As part of the successful bids the Council, as the grant recipient has entered into a Memorandum of Understanding (MOU) with DESNZ. 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.
- 6.9.21 The Council, in conjunction with NPH has also attracted a small amount of Green Homes Grant (LAD2) funding for a mixture of air source heat pumps and solar PV package of works.
- 6.9.22 NPH will be working with the Council to establish the indicative estimate of the investment required now to achieve zero carbon for the councils housing stock. This financial modelling will be informed by detailed work on housing stock condition that is currently underway. It is

worth noting that these works are outside of the 2012 financing settlement for HRA's and are likely to require additional funding, equally they are outside of the existing SHDF plans and currently not included in the capital programme.

## 6.10 Financing the Capital Programme and Borrowing

6.10.1 Set out in Appendix 3 is the Medium-Term Capital Programme 2024-2029 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 right to buy receipts, revenue contributions and borrowing.

6.10.2 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 2024 to 2029**

Description	Estimate	Estimate	Estimate	Estimate	Estimate
	2024-25	2025-26	2026-27	2027-28	2028-29
	£,000	£,000	£,000	£,000	£,000
Capital Financing Requirement Brought Forward 1st April	283,173	310,994	358,012	373,683	393,161
New Borrowing in Year	27,820	47,018	15,671	19,477	27,391
<b>Capital Financing Requirement Carried Forward 31st March</b>	<b>310,994</b>	<b>358,012</b>	<b>373,683</b>	<b>393,161</b>	<b>420,552</b>

6.10.3 Table 10 shows that the level of the HRACFR is rising in every year of the MTFP. 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 review of stock condition is received and future investment requirements refreshed.

6.10.4 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 just over 3.5% 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 and partly due to internal borrowing from General Fund, (underfunded HRA).

6.10.5 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.



## **7 Implications (including financial implications)**

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### **7.10 Resources and Financial**

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

### **7.11 Legal**

7.11.1 The setting of the budget is carried out in accordance with the Budget and Policy Framework Procedure Rules set out in the Constitution.

7.11.2 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).

7.11.3 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.

### **7.12 Risk**

7.12.1 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.

7.12.2 Significant risks remain in the HRA budgets such as cost of materials and supply chain issues impacting on delivery of programmes of work. These have potential ongoing impacts on tenants of the Council.

7.12.3 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.

### **7.13 Consultation**

7.13.1 The general fund and HRA budget were subject to a public consultation which closed on 23rd January 2024. 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 7.7%, the increases in garage rent of 7.7% and also the service charges increase of 7.7%. There was also a majority in favour of the investment plans for social housing for 2024-25 and over the medium term.

## **7.14 Consideration by Overview and Scrutiny**

7.14.1 No specific comments raised by Overview and Scrutiny.

## **7.15 Climate Impact**

7.15.1 Any potentially negative environmental impacts, especially with regard to climate change issues, were considered as part of each of the medium-term planning options submitted. They seek to avoid any negative environmental impact.

7.15.2 Northamptonshire Partnership Homes ('NPH') has a published Sustainability Strategy underpinned by One Planet Living Principles which are being embedded into its entire operation.

7.15.3 NPH is integrating sustainability and biodiversity into both its new build programme and neighbourhood investment.

## **7.16 Community Impact**

7.16.1 An overall Equality Impact Assessment has been completed for the HRA budget proposals for 2024-25. 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.

## **8 Background Papers**

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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 2023  
<https://www.gov.uk/government/publications/autumn-statement-2023/autumn-statement-2023-html>
- West Northamptonshire Council budget 2023-24, approved 22 February 2023  
<https://westnorthants.moderngov.co.uk/ieListDocuments.aspx?CIId=142&MIId=702>
- West Northamptonshire 2024-25 Draft Budget and Medium-Term Plan, approved 12 December 2023  
<https://westnorthants.moderngov.co.uk/ieListDocuments.aspx?CIId=143&MIId=1314>