



NORTHAMPTON
BOROUGH COUNCIL

COUNCIL

3 June 2019

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 to increase the HRA budget envelope by an additional £25M to enable additional HRA capital programme expenditure for 2019/20 funded through borrowing if Developer Affordable Home opportunities become available.
- To agree to increase the HRA budget envelope by an additional £6M to enable additional programme expenditure for 2019/20 funded through borrowing to support NCC led specialist housing schemes.

2. Recommendations

2.1 That Council approve:

- a) An increase in the HRA budget envelope by an additional £25M to enable additional HRA capital programme expenditure for 2019/20 funded through borrowing, for the acquisition of blocks of homes as the element of delivering affordable homes on major developments.
- b) An increase in the HRA budget envelope by an additional £6M to enable additional capital programme expenditure for 2019/20 funded through borrowing, for the acquisition or development of specialist homes (form of supported living) in support of Social Care outcomes.
- c) That Cabinet be authorised to approve new capital schemes and variations to existing schemes during 2019/20, 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, and;
- the introduction of Universal Credit and Benefit Cap.
- 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 HRAs.

3.2 Decision Details

HRA Budget 2019/20

3.2.1 The Council approved the HRA Budget on 25 February 2019 and further work has been undertaken on the 30 Year HRA Business plan since then, resulting in the proposal to increase by £31M the HRA capital programme expenditure for 2019/20 funded through borrowing.

Housing Revenue Account Capital Programme

3.2.2 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.

3.2.3 The HRA Capital Programme has been developed within the context of the 30 year Business Plan and the existing Asset Management Plan. Further input from the HRA Business Plan review is currently being undertaken and which may lead to changes being brought back to Cabinet in 2019/20 as the New Build programme is developed in light of the removal of the debt cap. This report to Council is the first part of that process.

3.2.4 Included in the capital programme is a significant increase to the New Build programme, (£22.6M to deliver over 150 new homes), reflecting the removal of the HRA Debt Cap from October 2018 and the ability to prudentially borrow within the HRA. The proposed additional £25M 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. The additional £6M is to enable the Council to progress with schemes that are housing related, but will enable the delivery of enhanced care facilities within the Borough.

- 3.2.5 The medium term plan currently shows the investment in new build dropping off slowly over the next few years. This additional borrowing will help the Council, working closely with Northampton Partnership Homes (NPH) to increase the new build programme for delivering new social and affordable homes over the coming years

Opportunities to acquire new affordable housing

- 3.2.6 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.
- 3.2.7 As Northampton Borough Council is a Registered Provider, NPH is 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.
- 3.2.8 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 2019-20

- 3.2.9 The table below shows a summary of the Capital programme and includes the proposed additional £25m expenditure and borrowing for 2019-20. This will be revised and reported to Cabinet in respect of the £6M when more detailed information is available.
- 3.2.10 The HRA capital programme for 2019/20 and beyond will be refined in conjunction with NPH, in line with the updated Asset Management Plan, and the HRA Business Plan review.

	Approved 2019-20 £000s	Proposed Additional 2019-20 £000s	Revised 2019-20 £000s
External Improvements	10,600	0	10,600
Internal Works	3,500	0	3,500
Environmental Improvements	3,000	0	3,000
Structural Works and Compliance	450	0	450
Disabled Adaptations	1,300	0	1,300
IT Development	400	0	400
New Build Programme/Major Projects	22,576	25,000	47,576
Buybacks and Spot Purchases	500	0	500
Total	42,326	25,000	67,326

FINANCING:			
Major Repairs	9,642	0	9,642
Reserve/Depreciation			
Capital Receipts - RTB (excl 1-4-1)	3,134	0	3,134
Capital Receipts - RTB 1-4-1 Receipts	7,035	0	7,035
Revenue/Earmarked Reserve	9,405	0	9,405
Borrowing / CFR	13,110	25,000	38,110
Total Financing - HRA	42,326	25,000	67,326

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 opportunities to acquire a significant number of new HRA council homes by purchasing properties 'off plan' through developer / Homes England schemes.
- 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.
- 4.2.3 The specialist housing schemes offer the opportunity to contribute to the reduction in social care costs for the County Council and future Unitary Council.
- 4.2.4 None of these schemes through use of HRA funds or NPH resources will put delivery of the existing homes development schemes at risk.
- 4.2.5 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 cases before any actual funds are committed, Council are reminded that this is an approval to increase the borrowing and expenditure envelope, it is not approval for any specific schemes.

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 See Council HRA Budget report 25 February 2019.

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