

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW EXECUTIVE COMMITTEE MEETING

10th February 2021

Report Title	Housing Revenue Account – Draft 2021/22 Budget and MTFP Proposals
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Appendix A – Draft Housing Revenue Account Budgets for 2021/22

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1. Purpose of Report

- 1.1. The Housing Revenue Account (HRA) is a separate ring-fenced account within a Council for the income and expenditure associated with its housing stock. The HRA does not directly impact on the Council’s wider General Fund budget or on the level of council tax. Income to the HRA is primarily received through the rents and other charges paid by tenants and leaseholders.
- 1.2. Within North Northamptonshire there are currently two HRA accounts, covering the sovereign Councils of Kettering and Corby respectively. As part of the move to a single unitary council for North Northamptonshire, there is a statutory requirement to create a single HRA for the area, which will come into effect from 1 April 2021.
- 1.3. Whilst North Northamptonshire Council must only operate one HRA it will, for a limited period of time, operate two separate Neighbourhood Accounts, these being:
 - the Corby Neighbourhood Account - responsible for the stock that was managed by Corby Borough Council and
 - the Kettering Neighbourhood Account - responsible for the stock that was managed by Kettering Borough Council.
- 1.4. The Ministry of Housing, Communities and Local Government (MHCLG) have indicated that it is a local decision to operate neighbourhood accounts within a single overarching HRA.

- 1.5. A future decision will be required around the timeframe for which two Neighbourhood Accounts continue – typically these interim arrangements would cover a two to three-year period. This will be considered post vesting day and will be subject to a further report.
- 1.6. Preliminary work is underway on preparing a Housing Strategy for North Northamptonshire. This will consider the challenges faced by the new Council across the local housing market and will set out measures to enhance housing options for local residents. This document will form a key element of the overarching strategy for North Northamptonshire which will be reported to Members during 2021/22.
- 1.7. This report seeks recommendation to North Northamptonshire Shadow Authority of the proposed draft budget for the HRA for 2021/22 and the key principles on which it is based together with the Medium-Term Financial Plan (MTFP) that covers the following four years (2022/23 – 2025/26).
- 1.8. This report also sets out the proposals regarding rent increases for 2021/22 as required by the Housing Act 1985. The following table summarises the recommended average rent levels for 2020/21 and 2021/22 and the proposed increase of 1.50% in rent levels for 2021/22

Neighbourhood Account	20/21 Average Rent Levels £	Increase in Average Rent Levels £	21/22 Average Rent Levels £
Corby	76.73	1.15	77.88
Kettering	80.96	1.21	82.17

2. Executive Summary

- 2.1 The draft HRA Budget have been discussed and debated at Shadow Overview and Scrutiny and with tenants representing each of the Neighbourhood Accounts. The final budgets reflect a slightly lower rental increase of 1.5% rather than 1.7% as reported in the January draft budget and this accords with the Government's Rent Setting Policy and has been clarified with the Rent Regulator. The draft Budget proposals and Medium-Term Financial Plan for the new North Northamptonshire Council are set out in Appendix A and Appendix B.
- 2.2 The overriding approach to transitioning to the new single unitary council for North Northamptonshire has been to ensure that the arrangements are 'safe and legal'. It was determined that for the HRA this could, in the first instance, be best achieved through operating two Neighbourhood Accounts to be combined under a single HRA for North Northamptonshire.
- 2.3 To help maintain and protect levels of service provision and to continue investment into the housing stock the proposed average rent increase is 1.50% for each of the Neighbourhood Accounts. This is in accordance with the Government's Rent Setting Policy. Taking into account this increase, the draft Neighbourhood Accounts show a balanced position for 2021/22. A final

budget report for the HRA will be presented to the Shadow Authority on 25th February 2021.

- 2.4 Beyond 2021/22, the Medium-Term position (2022/23 to 2025/26) for the Corby Neighbourhood Account shows a deficit of around £1.070m whilst the Kettering Neighbourhood Account shows a surplus of around £200,000. This assumes that rent increases of 2% are applied each year over the Medium-Term. Rent increases will be subject to an annual consultation with tenants.
- 2.5 A series of sessions have been held with the North Northamptonshire Medium Term Financial Plan and Budget Task and Finish Group (NN MTFP & Budget T&F Group) on the Housing Revenue Account. The approach taken to the 2021/22 budget setting process together with the draft budgets were presented to the Task and Finish Group.
- 2.6 The scrutiny process for the Draft HRA Budget Proposals was undertaken by the Shadow Overview and Scrutiny Budget Task and Finish Group at a meeting on the 13th January 2021. This was reported to the public Overview and Scrutiny meeting on the 28th of January 2021 and for ease of reference Appendix D provides a summary of comments made at this meeting.
- 2.7 The Kettering Tenants Forum and Corby Tenant Voice Members were consulted and agreed a 1.50% increase in rent levels of 2021/22.

3. Recommendations

- 3.1 It is recommended that the Shadow Executive Committee propose the following to the Shadow Authority for consideration at the meeting on 25th February 2021.
 - a. The draft 2021/22 Housing Revenue Account Budgets consisting of the Corby Neighbourhood Account and the Kettering Neighbourhood Account as set out in Appendix A.
 - i. an increase in dwelling rents for 2021/22 of 1.5% (based on the Consumer Price Index (CPI) for September 2020 + 1%) which is in line with the Ministry of Housing, Communities and Local Government (MHCLG) Policy statement on rents for social housing published in February 2019.
 - ii. The draft Housing Revenue Account Medium Term Financial Plan consisting of the Corby Neighbourhood Account and the Kettering Neighbourhood Account, for 2022/23 to 2025/26 as set out in Appendix B.
- 3.2 Reason for Recommendations
 - a. To ensure that the Shadow Authority complies with its Constitution in setting the budget for North Northamptonshire and meets its statutory duties.

4. Report Background

Resources and Financial

- 4.1 Each year social landlords must set rent levels and budgets for the forthcoming financial year and provide each individual tenant with 28 days statutory notice of any proposed changes to their rent. This report sets out the proposals regarding the rents, as well as the expenditure plans for the 2021/22 rent year, together with a draft Medium-Term Financial Plan (MTFP) covering the four- year period 2022/23 to 2025/26.
- 4.2 The Council housing stock in the Corby Neighbourhood Account comprises 4,614 tenanted and 623 leasehold properties (as at 1 April 2020) with a rent roll of £18.6m in 2020/21. The Kettering Neighbourhood Account comprises 3,625 tenanted and 225 leasehold properties (as at 1 April 2020), with a rent roll of around £15m. East Northants and Wellingborough Councils have no housing stock having made the decision several years ago to sell their stock. The composition of the Housing Stock for both the Corby and Kettering Neighbourhood Accounts is set out in Table 1 and Table 2.

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	648	339	51	1	1,039
Flats-Medium Rise	131	178	114	16	439
Houses	1	674	1,680	251	2,606
Bungalows	309	178	43	0	530
Total	1,089	1,369	1,888	268	4,614

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	720	458	3	0	1,181
Flats-Medium Rise	235	120	10	0	365
Houses	26	486	1,058	32	1,602
Bungalows	200	275	2	0	477
Total	1,181	1,339	1,073	32	3,625

- 4.3 The Council is required by law (Local Government and Housing Act 1989, Section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on the total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of HRA reserves to cover contingencies. The minimum level of reserves for the HRA at Corby Borough Council was £800,000 and for the HRA at Kettering Borough Council was £300,000 – these levels were set following previous risk assessments of key items affecting income / expenditure – these levels remain unchanged for the two Neighbourhood Accounts and will be reviewed by the new Council in line with the Risk Management Strategy. Details of Reserves and the purpose and any estimated movements are set out in Appendix C.

- 4.4 It was not feasible to merge the two neighbourhood accounts into one when the legacy councils merge and create the operational changes that were required to ensure a safe and legal service. It is also necessary to develop a 30 Year Business Plan for a single HRA. The Council's Corporate Strategy is being developed and will set out its priorities, the objectives to achieve these, key actions, and measures of success. The services delivered within the HRA will support this strategy and will be developed over the forthcoming financial year.
- 4.5 The approach to the HRA budget setting has focused on three key areas for 2021/22 and the following sections of the report take items (i) and (ii) in turn, however, it should be noted that item (iii) will be covered in a separate report to this meeting that covers both the General Fund and HRA Capital Programmes.
- (i) Revenue income and rent and service charge levels;
 - (ii) Revenue expenditure plans that reflect service delivery patterns;
 - (iii) Capital expenditure plans that will deliver essential maintenance to the stock as well as ensuring the Decent Homes Standard is maintained and support the affordable homes new build programme

Revenue Income

- 4.6 The HRA receives income primarily from rents paid by tenants and from service charges levied. The draft budgets for 2021/22 reflect a rent increase of 1.5% - which is in accordance with the nationally recommended increase for 2021/22. When considering the rental increase it is important to recognise the long-term impact as income foregone is compounded over future years.
- 4.7 The MHCLG policy statement on rents published in February 2019 announced that rents would increase by CPI + 1% from April 2020 and this would be for a period of five years (2020/21 to 2025/26). Members are reminded of the announcement that was made in the July 2015 budget statement where all social rents would decrease by 1% each year over the four year period 2016/17 – 2019/20 during which the cumulative loss of rental income was around £70m for the Corby Neighbourhood Account and around £60m for the Kettering Neighbourhood Account. This will continue to have a significant cumulative impact on the level of income that will be available to the HRA over the course of the 30-year business plan.
- 4.7.1 The number of Right to Buy (RTB) sales assumed during 2021/22 for the Corby Neighbourhood Account is 40 and for the Kettering Neighbourhood Account is 30 and the part year income associated from these sales has been deducted from the 2021/22 income budget. Assumptions have been made around the number of RTB sales each year over the Medium Term, for both neighbourhood accounts and it is assumed that the number of sales are 40 for the Corby Neighbourhood Account and 30 for the Kettering Neighbourhood Account – these assumptions will be kept under review.
- 4.7.2 For 2021/22 it is assumed that 0.9% of the Corby Neighbourhood housing stock will be void at any one time and it is assumed that 1.90% of the

Kettering neighbourhood housing stock will be void at any one time and therefore rent cannot be charged. The higher void rate in the Kettering Neighbourhood Account is reflective of the older stock and when a property becomes void it generally requires more work prior to it being relet. This is consistent with the approach taken in previous years and reduces the total income expected to be achieved by c£160,000 for the Corby Neighbourhood Account and c£290,000 for the Kettering Neighbourhood Account.

- 4.7.3 Acquisition and new build programmes increase the stock of affordable housing for the HRA. The Corby Neighbourhood Account reflects the additional income expected from the delivery of 26 new homes in 2021/22 across Stanion Close (3 homes) Cheltenham Road (18 homes) and Cannock Road (5 homes) sites. The Kettering Neighbourhood Account reflects the additional income from the delivery of 28 homes across the Scott Road (22 homes) and Albert Street (6 homes) sites.
- 4.7.4 Whilst both Neighbourhood Accounts have provision for new build schemes in the Capital Programme for 2022/23 to 2025/26, the detail of these schemes are still to be developed therefore at this stage the MTFP reflects a prudent approach and doesn't reflect the additional rental yield from new schemes, when there is more certainty over these schemes the MTFP will be updated accordingly.
- 4.7.5 In April 2012, the Government "reinvigorated" its Right to Buy (RTB) policy by reducing the eligibility period for RTB sales and increasing the maximum levels of discount. At the same time, the Government introduced a new mechanism that allowed local authorities to retain 100% of the RTB receipts (after some deductions) from the sale of Council Houses sales above a specified number of RTB sales set by Government each year for each council (the "RTB threshold"). These are referred to as 1-4-1 Receipts.
- 4.7.6 There are two core principles for using 1-4-1 Receipts:
- 1) That 1-4-1 Receipts can only be used to fund no more than 30% of eligible expenditure for the provision of new homes; and
 - 2) That 1-4-1 Receipts must be utilised within 3 years of them occurring. In order for the Government to enforce the time period in which expenditure must be accounted for, the standard agreement signed by Councils requires any 1-4-1 Receipts not utilised within the 3 year timeframe to be paid over to the Government, plus interest charged at 4% above base rate compounded every 3 months.
- 4.7.7 Both Corby Borough Council and Kettering Borough Council opted into this agreement. COVID-19 has meant that a number of planned new build schemes nationally were delayed as contractors and companies rescheduled their projects and the need to maintain social distancing could see a reduction in staff on site which could result in a delay in delivery. In response to this the Government temporarily lifted the time period for which 1-4-1 receipts need to be utilised by granting a six-month extension, this extension has recently been increased to nine months. Both Neighbourhood Accounts include new build schemes and the use of 1-4-1 receipts will be an area that will be closely monitored during 2021/22.

Service Charges

- 4.8 The Council can set its own charges for items that attract service charges but must review annually the costs that drive these charges as well as how that money can be utilised.
- 4.9 Leasehold service charges cover costs that are recharged to leaseholders in year to reflect either the cost of maintaining the fabric of the building or the cost of maintaining the communal areas. These charges must reflect the full cost that is incurred by the HRA, but no profit should be achieved through the levelling of these charges. Given this, the income budgets proposed reflect only an indicative level and actual charges will be reconciled the following year against actual costs incurred. Within both the Corby Neighbourhood Account and the Kettering Neighbourhood Account leasehold charges for each building will be estimated and leaseholders will be notified of the charges to be applied for 2021/22. This process is in line with that undertaken in previous years.

Revenue Expenditure

- 4.10 The HRA manages expenditure that covers delivery of the general housing management function as well as overheads and capital financing charges. The expenditure costs are categorised into the following six headings, further details are set out in paragraphs 4.11 – 4.23 which follow.
- Repairs & Maintenance
 - General Management
 - Special Services
 - Self Financing Payments
 - Revenue Contribution to Capital Expenditure
 - Other
- 4.11 The Repairs and Maintenance budget includes the general cost of maintaining the Council's housing stock on a day to day basis. It includes, repairs requested by tenants, gas repairs and servicing and costs associated with void property repairs and cleaning.
- 4.12 General Management costs include the cost of managing the housing service. They include the cost of running the landlord service efficiently and effectively including rent collection and allocating and managing tenancies.
- 4.13 Special Services represents the cost of running the Council's sheltered housing schemes for vulnerable residents. It includes all costs of maintaining sheltered housing and the services provided to residents. There are 562 properties across 10 sheltered housing schemes in the Corby Neighbourhood Account and 406 properties across nine sheltered housing schemes in the Kettering Neighbourhood Account.
- 4.14 Fundamental changes to the HRA were implemented in April 2012 – this was referred to as 'Self-Financing'. The Self-Financing settlement abolished the subsidy system and redistributed debt between authorities based on a

Government assessment of their ability to service the debt. This had the effect of increasing the debt held by most authorities, but in return they no longer had to pay into the national subsidy pot. Nationally there were 136 authorities who were making subsidy payments and these authorities were required to make a payment to the government that amounted to around £13bn. Conversely 35 authorities received a payment of £6bn from Government as they would no longer be receiving a subsidy payment. The self-financing determinations resulted in Corby Borough Council taking on debt of £70.6m and Kettering Borough Council taking on debt of £72.9m.

- 4.15 The self-financing system allows authorities to plan better over the longer term as they no longer face the uncertainty of annual subsidy determinations which were typically announced around December each year notifying authorities of what they will have to pay or receive in subsidy. This means that all authorities now get to keep all the rent they receive from tenants and are fully responsible for managing their own income and expenditure.
- 4.16 The Government on 29 October 2018 revoked the indebtedness limits that were introduced for HRAs in December 2010 by the Localism Bill under self-financing determinations, by lifting the HRA borrowing cap. This means the Corby and Kettering Neighbourhood Accounts will not be subject to a limit on borrowing.
- 4.17 All borrowing must conform to the Prudential Code which requires that borrowing be affordable and prudent. Total borrowing within the Corby Neighbourhood Account at 31 March 2021 is forecast to be £70.6m and reflects the level of debt the Council took on when the self-financing transaction was enacted. The 2021/22 budget provides for the repayment of a loan of £10.646m, for which monies have been set aside annually for loan repayments in the HRA Debt Management Reserve. The outstanding debt at 31st March 2022 is estimated to be £60m.
- 4.18 The Kettering Neighbourhood Account is forecast to have debt of £48.724m as at 31st March 2021 this is a combination of debt from self-financing which amounts to £45.903m and new loans amounting to £2.821m to fund new build schemes. The 2021/22 budget provides for the repayment of a loan of £3m, which will reduce the self-financing debt that is outstanding at 31st March 2022 to £42.903m.
- 4.19 Business cases that set out how and when the HRA will borrow will be developed and submitted for approval when Business Cases arise, this will need to be in accordance with the Council's Capital Strategy Approval Process.
- 4.20 Under the self-financing regime the HRA holds a depreciation charge that recognises the cost of managing and maintaining the Council stock at the current level. This funding represents a revenue cost to the HRA that is then used to support the capital programme to deliver the required enhancements to the stock to keep it fit for purpose. The revenue contribution as a minimum must equal the depreciation charge.
- 4.21 One of the main areas of risk for the HRA going forward is rent arrears and the management of debt within the rent account. There is a specific risk around

the ability to collect this debt due to COVID-19 and also as national welfare reform changes are rolled out. The spare room subsidy changes have now been in place for several years and work to manage under occupation is now business as usual.

- 4.22 A key risk is Universal Credit (UC) which went live for Corby in February 2017 and for Kettering in October 2018. Evidence from other areas, along with our experience so far, shows the level of arrears increase in the short to medium term following implementation. This in part is due to the timing delay in claimants receiving payment. As a result of the potential impact from COVID-19 and UC the 2021/22 Corby Neighbourhood Account includes an additional £70,000 for Bad Debts and a further £80,000 in 2022/23. The Kettering Neighbourhood Account includes provision of £150,000 for Bad Debts – this is an area that will be closely monitored, and the levels of provision will continue to be reviewed over the MTFP. The contribution to Bad Debts is shown under the ‘other’ expenditure heading which also includes Contingencies, Rents, Rates, Taxes and Other Charges and interest payable.
- 4.23 The 2021/22 budget includes a 0.75% increase to cover the 2.75% 2020/21 pay award, of which only 2% was included in the 2020/21 base budget. In addition, both Neighbourhood Accounts have incorporated a pay contingency for 2021/22 of 2.50%.

Budget Changes

- 4.24 The rent regulator is responsible for setting the maximum rent increase permitted under the Rent Standard and Policy Statement. The Rent Regulator has confirmed that the maximum increase in rent levels for 2021/22 is 1.50%. The council’s draft budget reported to the 7 January 2021 meeting of the Shadow Executive Committee had modelled a 1.70% increase – the impact of this is a reduction in the rental yield of £37k for the Corby Neighbourhood Account and a reduction in the rental yield of £29k for the Kettering Neighbourhood Account – the increase in the Repairs and Maintenance Budgets compared to the previous year has now been reduced by the respective amounts resulting in a change in the Repairs and Maintenance Budget of around 0.7% for both of the Neighbourhood Accounts. It is envisaged that having two Neighbourhood Accounts will enable operational efficiencies to be delivered during the course of 2021/22 and this will be reflected in future Medium-Term Financial Plans. As a result the reduction in the Repairs and Maintenance budget should not impact on service delivery. The position will be closely monitored in year.

Medium Term Financial Plan (MTFP)

- 4.25 The MTFP for both the Corby Neighbourhood Account and the Kettering Neighbourhood Account are detailed at Appendix B and have been updated to reflect the change in rent levels for 2021/22 as detailed in 4.24. The MTFP’s contain several assumptions, the main ones are set out in Table 3 below – these assumptions will continue to be reviewed and updated but enable an initial medium-term position to be determined for both Neighbourhood Accounts.

Table 3 - MTFP Assumptions		
Assumption	Corby Neighbourhood Account	Kettering Neighbourhood Account
Income		
Rent Levels	Assumes a 2% increase each year (CPI 1% + 1%)	
RTB Sales	40	30
Void Levels	0.90%	1.50%
Expenditure		
Pay Contingency	2.50%	2.50%

- 4.26 The Medium-Term position for the HRA has more certainty than that of the General Fund – largely in part to the self-financing system. Medium Term Financial Planning is more difficult for the General Fund owing to the annual local government finance settlement being announced very late in the budget process and currently only having one-year settlements.

Legal

- 4.27 The Housing Revenue Account (HRA) is a separate account within the Council that ring-fences the income and expenditure associated with the Council's housing stock and the 2021/22 Draft Budgets and MTFP adhere to this – the HRA can buy support services from the General Fund such as Finance, IT, HR etc and the draft 2021/22 budgets and MTFP reflect this.
- 4.28 The Council is required by law (Local Government and Housing Act 1989, Section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on total HRA revenue reserves falling below zero. The draft budgets show a balanced budget for both the Corby and Kettering Neighbourhood Accounts with no reliance on reserves.
- 4.29 Under the self-financing regime the HRA holds a depreciation charge that recognises the cost of managing and maintaining the Council stock at the current level. This funding represents a revenue cost to the HRA that is then used to support the capital programme to deliver the required enhancements to the stock to keep it fit for purpose. The revenue contribution as a minimum must equal the deprecation charge – the Draft 2021/22 Budget reflects this for both Neighbourhood Accounts and the MTFP reflects assumptions around future property values which reflect this – although this will be subject to change when future valuations are known.
- 4.30 Borrowing must conform to the Prudential Code which requires that borrowing be affordable and prudent. The draft 2021/22 budgets for both Neighbourhood Accounts comply with this. Business cases will be compiled for any future borrowing that clearly sets out the revenue implications – these will be

modelled in the MTFP to ensure affordability and will be the subject of future reports to the new Unitary authority.

- 4.31 Whilst there is no statutory requirement to consult on rent levels specifically, there is a statutory requirement to consult on "housing management matters". Historically, Kettering and Corby have engaged and consulted with tenants on the annual HRA budget and rent levels. Kettering via their Tenants Forum and Corby via their Corby Tenant's Voice Scrutiny Panel. The approach for the 2021/22 budget continued with previous practices by consulting with tenants via the Tenants Forum and the Tenant's Voice Scrutiny Panel.
- 4.32 Council housing landlords are required to give 28 days' notice to all tenants of changes to rent levels ahead of the new financial year. The Draft HRA Budget and Rent levels for 2021/22 will be set at the Shadow Authority meeting on the 25th February 2021 – which will enable the 28 days notice period to be achieved.

Risk

- 4.33 The self-financing valuation and settlement is based on the Council continuing to implement the Government's Rent Setting formula and deviation from this could potentially undermine the financial viability of the two Neighbourhood Accounts. The compound impact from rent increases will be fundamental to the sustainability of the two Neighbourhood accounts – annual rent increases for the Corby Neighbourhood Account amount to around £280k and for the Kettering Neighbourhood Account amount to around £225k. If rents were not increased in line with the government formula in 2021/22 this could amount to around a loss of income of £8.4m and £6.4m respectively over the 30-year business plan.
- 4.34 The MTFP assumes annual rent increases of 2% (CPI + 1%) across both Neighbourhood Accounts – a lower level of CPI would reduce in a lower rental yield.
- 4.35 The ability to aggregate housing service functions and strategies to ensure consistency across North Northamptonshire remains a challenge going forward.
- 4.36 The investment in the existing stock will be based on updated Stock Condition Survey reports – there is a risk that the investment need is greater than resources – if this were the case a further review of the capital programme would be undertaken.
- 4.37 In future years there will be a need to harmonise rents as the new authority migrates from the two neighbourhood accounts into a single account. This must recognise the resource requirements needed to deliver a consistent level of housing services.
- 4.38 COVID-19 has had less of an impact on the HRA compared to the General Fund – however it is recognised that it may impact on rent arrears for the two Neighbourhood Accounts.

- 4.39 The Welfare Reform Act changes have affected the payments being made to the HRA and further changes associated with the roll out of Universal Credit (UC) could affect levels of tenant income and further increase rent arrears within the HRA.
- 4.40 The end of automatic payment of Housing Benefit direct to Landlords, could significantly reduce rent income levels and increase the level of bad debts within the HRA as UC continues to roll out.
- 4.41 Compliance with regulatory standards and changes to health and safety legislation particularly regarding fire safety will provide additional challenges over the next few years and could lead to increased costs.

Consultation

- 4.42 The consultation with local residents regarding the HRA and proposed rent levels was undertaken via the Kettering Tenants Forums Panel and Corby Tenant's Voice Scrutiny Panel.

Consideration by Overview and Scrutiny

- 4.43 A Budget Scrutiny process formed part of the overall consultation process. The Shadow Authority's Constitution further sets out the process of engagement that the Shadow Executive Committee must undertake with the Overview and Scrutiny Committee and is outlined here.
- 4.44 The Shadow Executive Committee considered the draft budget and agreed budget proposals which were submitted to the Shadow Overview and Scrutiny Committee for review. The Shadow Executive Committee must then make recommendations on the final, scrutinised, budget and Rent proposals to the Shadow Authority for approval on 25th February 2021.
- 4.45 Scrutiny is a means for councillors not on the Shadow Executive Committee to influence the development of Council policies and services and hold decision-makers to account. Budget Scrutiny involves councillors reviewing significant proposals from across the draft budget and reporting their conclusions about the deliverability and service impact of these proposals to the Shadow Executive. In this way Budget Scrutiny contributes to the development of the final budget proposals and supports local democracy.

Climate Impact

- 4.46 The ongoing maintenance of existing stock, such as heating replacement, insulation and low energy LED lighting in communal areas also help to increase the energy efficiency of the existing stock. Consideration will be given to new methods of building construction, recent developments of the Hampden Crescent Site resulted in air source heat pumps being used.
- 4.47 National and international good practice will be considered as technology is changing constantly in this fast-moving sector but it is clear that the HRA housing stock will embrace this issue within its programme going forward.

Community Impact

- 4.48 The draft 2021/22 HRA Budgets should not impact on front line service provision and should enable the Council to meet the needs of disabled and older residents to have aids and adaptations fitted to support their independence.
- 4.49 Tenants should be positively affected by the investment in dwelling insulation, energy efficiency and changes to heating and communal utility charges. Many have benefited from reduced personal heating charges and a lower split of communal utility costs between all residents benefiting from these services.
- 4.50 There is a clear correlation between effective housing and better health outcomes. Community development work undertaken seeks to minimise isolation, particularly with older residents, contributing to improved physical and mental health outcomes and more active communities. We will continue to work with community and voluntary groups, promoting their services and offering practical help where feasible.
- 4.51 There are many reasons why tenants may struggle to maintain their tenancies including substance misuse and mental health. We will seek to support tenants in their homes to ensure that they are able to maintain successful tenancies and to reduce the number of evictions and staff will provide support for tenants including financial advice.

5. Conclusions

- 5.1 The proposals contained in this report seek to ensure that the HRA business plan provides a sound basis of managing the existing stock, whilst also identifying the potential risks that need to be monitored on an ongoing basis.
- 5.2 The budget proposals will allow for continued service delivery and investment as set out and within the confines of the available resources.
- 5.3 Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the HRA does not result in a debit balance (deficit). The proposed budget for 2021/22, together with the indicative budget for the medium term, is attached at Appendices A and B respectively. A balanced budget will be achieved through base budget mitigations and use of reserves as required each year. These will be finalised as part of the budget setting process for those years.
- 5.4 The HRA continues to hold a prudent level of reserves as set out in Appendix C. Based on forecasts, over the medium term as outlined in this report the HRA can continue to fund existing debts, together with the ongoing management and maintenance costs whilst also maintaining a positive reserves position. The medium/longer term forecast position is affected by a number of factors, most notably the level of rental income.

6. Background Papers

- Previous reports to North Northamptonshire Shadow Executive Committee 7th January 2021:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3670/Committee/458/Default.aspx>

- Previous reports to North Northamptonshire Overview and Scrutiny Committee 28th January 2021:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3754/Committee/460/Default.aspx>