

# North Tyneside Council Report to Cabinet Date: 16 January 2013

## ITEM 3

Title: 2013-2015 Financial Planning and Budget Process: Cabinet's Final Budget Proposals for the 2013/14 Housing Revenue Account (HRA) Business Plan and Budget.

<b>Portfolio(s):</b> Elected Mayor Finance Housing	<b>Cabinet Member(s):</b> Mrs Linda Arkley Cllr Judith Wallace Cllr Paul Mason
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**Report from Directorate:** Senior Leadership Team

**Report Author:** Fiona Rooney, Strategic Director of Finance and Resources  
**Tel:** 643 5724

**Wards affected:** All

### PART 1

#### 1.1 Purpose:

- 1.1.1 The Council's Constitution sets out, in its Budget & Policy Framework Procedure Rules, the process agreed to be followed for setting the budget. Following the 2012/13 budget process and subsequent Counsel's advice regarding the respective responsibilities of Council and Cabinet, it is Cabinet that is responsible for setting the Housing Revenue Account (HRA) budget, and for setting the rent increase and Capital Plan for 2013/14. Hence, the 2013-15 Financial Planning and Budget Setting Process reflects this advice.
- 1.1.2 Cabinet in its report of 26 November 2012 set out the estimates of amounts for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the General Fund and the Housing Revenue Account budget 2013/14 and associated Capital Plan 2013-2023 (Annex 1). In addition the report outlined the proposed housing rent, garage rent and service charge increases for 2013/14.
- 1.1.3 Following the report on 26 November 2012 in relation to the Housing Revenue Account for 2013/14, Cabinet is now formally asked to approve the housing rent, garage rent and service charge increases, along with the Housing element of the 2013-2023 Capital Plan. There have been no changes to the increases proposed or to the Housing Capital Plan from the figures presented on 26 November 2012.

#### 1.1.4 The purpose of this report is therefore:

- (a) To consider and agree the Housing Revenue Account 2013/14 draft revenue budget proposals and associated business plan;
- (b) To increase individual council rents as outlined in Section 2.4 of the annex to this report, and Section 8 of the 26 November 2012 Cabinet report to continue to meet the Government's rent restructuring formula requirements;
- (c) To increase housing service charges and garage rents by 2.6%;
- (d) To note the assessment in relation to the current year's budget monitoring information (2012/13) and indications of financial plans for 2013/14 and 2014/15 for the Housing Revenue Account;
- (e) To agree the Housing (HRA) Capital Plan 2013-2023;
- (f) To note the current position in relation to proposed Welfare Reform changes;
- (g) To agree the Housing Revenue Account Treasury Management Statement incorporating the Annual Investment Strategy for 2013/14; and
- (h) To approve the Prudential Indicators which are specific to the Housing Revenue Account.

#### 1.2 Recommendation(s):

1.2.1 In relation to the Elected Mayor and Cabinet's proposals for the Housing Revenue Account, it is recommended that Cabinet:

##### **2013-2015 Housing Revenue Account Business Plan and Budget**

- (a) Consider any recommendations of Overview and Scrutiny Committee's consideration of Cabinet's initial Budget Proposals for the 2013/14 Housing Revenue Account (HRA) Business Plan and Budget agreed by Cabinet on the 26 November 2012 and any impact the recommendations may have on these proposals (Annex 1, Section 5);
- (b) Consider and agree the final proposals in relation to the 2013/14 Housing Revenue Account budget, and associated business plan, including an assessment in relation to the current year's budget monitoring information (2012/13) (Annex 1, section 3 & Appendix A ) and note the Housing Revenue Account Chief Finance Officer's statement to Cabinet (Annex 1, Section 6);
- (c) Increase individual council rents as outlined in section 2.4 of Annex 1 to this report and section 8.0 of the 26 November 2012 Cabinet report to continue to meet the Government's rent restructuring formulae;
- (d) Increase housing service charges and garage rents by 2.6% (Annex 1, Section 2.4);

- (e) Note the assessment in relation to the current year's budget monitoring information (2012/13) and indications of financial plans for 2013/14 and 2014/15 for the Housing Revenue Account;
- (f) Agree the Housing (HRA) 2013-2023 Capital Plan (Annex 1, Section 4 and Appendix B);
- (g) Authorise the Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Cabinet Member for Housing, Strategic Director of Community Services and Head of North Tyneside Homes to take appropriate action once the full implications of the Government's Welfare Reform, and the potential impact on the HRA are known, with particular reference to the level of in-year Bad Debt Provision within the HRA.
- (h) Approve the Prudential Indicators which are specific to the Housing Revenue Account as set out in section 4 of this report.

### **Treasury Management Statement and Annual Investment Strategy 2013/14**

- (i) Approve the Housing Revenue Account Treasury Management Statement incorporating the Annual Investment Strategy for 2013/14 (Annex 1 and Appendix C);

### **1.3 Forward plan:**

This report was included in the Forward Plan for the period from 1 January 2013 to 30 April 2013.

### **1.4 Council plan and policy framework:**

- 1.4.1 The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Council's Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Council's budget. The statutory and constitutional requirements for preparing, considering and approving the Budget drive the timetable for the Financial Planning and Budget process.
- 1.4.2 The development of the Financial Plan and Budget has followed the same timetable as in previous years. The priorities in the Sustainable Community Strategy provide the strategic framework within which budget resources are allocated.
- 1.4.3 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.

### **1.5 Information - Executive Summary**

- 1.5.1 Annex 1 to this report sets down in detail the Cabinet's 2013-2015 final budget proposals for the Housing Revenue Account and associated business plan, the

2013-2023 Housing Capital Plan and the Housing Treasury Management Statement and Annual Investment Strategy for 2013/14.

- 1.5.2 At its meeting on 10 September 2012, Cabinet approved the process and timetable to be adopted for the preparation of the 2013/14 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2013-2023 Capital Plan, as part of the overall Financial Planning and Budget process for 2013-2015. Cabinet also approved the Budget Engagement Strategy at that meeting.

### **Budget Engagement**

- 1.5.3 This year the Voice your Choice programme has informed our budget engagement. The first phase ran from 8 October 2012 to 28 October 2012. Information from this phase fed into Cabinet's initial budget proposals.
- 1.5.4 A further phase of engagement on Cabinet's initial proposals continues. The approach used is similar to last year. The focus is on seeking views through a web based exercise and targeted service lead engagement with groups potentially impacted by the proposals. The exercise has been promoted through the media and the Council's website.
- 1.5.5 Since April 2012 the Authority has engaged with over 300 tenants and leaseholders in detail in relation to the Housing Revenue Account (HRA) Budget changes as the Authority has moved into the self financing Housing Revenue Account. Topics included the rent setting process, where money is spent and priorities for the budget moving forward.
- 1.5.6 Activities include briefings to the North Shields and North West Area Housing Forums on the housing budget and the Annual Gold Ticket Event in July 2012 where the HRA budget priorities and challenges for the year ahead were discussed with 140 tenants. Tenants have also been involved in the review and development of a new housing asset management strategy which sets the key priorities for investment in the housing stock.
- 1.5.7 The Autumn Housing Matters distributed to all 15,500 tenants in November gave tenants information on the rent setting formula, the proposed rent increase for 2013/14 and information on how the rent money was spent. Housing Matters also contained a lot of information about current service delivery and the priorities for the future based upon tenant feedback.
- 1.5.8 Information on the Budget proposals for 2013/14 is available on the Council's website together with the opportunity for customers to feedback their views.
- 1.5.9 In October 2012 a presentation was provided to the Housing Overview Panel made up of representatives from Service Development Groups of tenants on the budget for 2013/14. This included progress on the budget savings for 2012/13, the rent setting process for 2013/14, potential rent increase and service charges for 2013/14, proposals relating to growth in the budget relating to financial inclusion, bad debt provision, right to buy changes, proposals for new build, inflationary pressures and changes arising out of the welfare reform changes.

- 1.5.10 Mini gold ticket events were held in the 4 localities of the borough. The North West event was held on 5 November 2012, Wallsend on the 31 October 2012, Whitley Bay on the 23 October 2012 and North Shields on the 14 November 2012. All were provided with a presentation by the Head of North Tyneside Homes on the draft budget information contained in the paper which was considered by Cabinet on 26 November 2012. Tenants had the opportunity to ask questions and raise issues about the budget directly with the Head of North Tyneside Homes.
- 1.5.11 All involved tenants were given a more detailed presentation and information on the budget on 13 December 2012. They had the opportunity to ask questions and raise issues directly with the Head of North Tyneside Homes.
- 1.5.12 The STAR questionnaire was sent out to over 7,500 tenants and 1,209 completed questionnaires were returned. The main priorities for tenants who were able to select their top 3 choices were:
- High quality timely repairs 69.1%
  - Being able to contact the right person to deal with their query 41.5%
  - Tackling antisocial behaviour 35.6%
  - Having well maintained estates 34.5%
  - Value for money from rent and service charges 30.4%
  - Making improvements to their homes 28.2%
  - Supporting vulnerable customers 15.9%
  - New fencing 14.5%
  - Building new homes 9.7%.
  - Preventing and tackling rent arrears 8.6%
- 1.5.13 The STAR survey also identified that 74% of tenants believed that the rent they paid represented value for money.
- 1.5.14 The Overview and Scrutiny Committee are reviewing the HRA budget on 7 January 2013 and the Housing and Economic Prosperity Sub Committee are to receive a presentation on the HRA budget on 14 January 2013.
- 1.5.15 The key issues arising from the consultation on Housing so far include:
- Support for building new council homes;
  - Pressures on advice services arising from the Government's welfare reform changes;
  - Concern at the cumulative impact of welfare reform on tenants of working age, on benefits and on tenants currently under occupying their homes;
  - Support for our proposals to make it easier for tenants to move home; and
  - Tenants were pleased to see continued investment in maintaining their homes to the decent homes standard and the commencement of a fencing programme to start to deal with the fencing backlog.

## **1.6 Decision options:**

- 1.6.1 Cabinet can agree the proposals set down in this report. Alternatively, Cabinet can suggest that further / different options are considered by the Senior Leadership Team.
- 1.6.2 Section 76 (2) of the Housing Act 1989 requires each authority to produce a Housing Revenue Account budget in the January and February that immediately precede the financial year to which it will relate. In relation to the Housing Revenue Account (HRA) revenue budget, there is a legal requirement to give all tenants at least four weeks notice of any rent changes. By agreeing to set the rent increase and the HRA budget at this meeting, Cabinet are ensuring that there will be time to comply with the above notice period, and to allow time for the production and delivery of the appropriate notifications as well as all relevant system testing and changes to be made.

## **1.7 Reasons for recommended option:**

- 1.7.1 In order to maintain the integrity of the self-financing HRA Business Plan, the Cabinet needs to maximise the resources available to the HRA, and this requires the Authority to follow the path to rent convergence by 2015/16 as assumed in the self-financing model. The full implications of Welfare Reform are as yet unknown, but the Authority will be in a more difficult financial position if it cannot generate the income required to maintain and develop the stock.

## **1.8 Appendices:**

Annex 1:	2013-2015 Financial Planning and Budget Process: Cabinet's Final Budget Proposals for the 2013/14 Housing Revenue Account (HRA) Business Plan and Budget.
Appendix A:	HRA Capital Summary Plan 2013-2023.
Appendix B:	HRA Summary Plan 2013-2015.
Appendix C	HRA Treasury Management Statement and Annual Investment Strategy 2013/14

## **1.9 Contact officers:**

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## 1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Local Authorities (Standing Orders) (England) Regulations, 2001 (P).
- (b) North Tyneside Council's Constitution and Budget & Policy Framework Procedure Rules (P).
- (c) 2013-2015 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals (26 November 2012).  
[2013-2015 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals](#)
- (d) The Universal Credit Regulations 2013 – Draft Regulations laid before Parliament under section 43(3) of the Welfare Reform Act 2012, for approval by resolution of each House of Parliament.  
[The Universal Credit Regulations 2013](#)
- (e) Housing Revenue Account 30 Year Business Plan  
[HRA 30 Year Plan](#)
- (f) North Tyneside Homes Service Plan  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=515088](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=515088)
- (g) North Tyneside Homes Local Offer  
[http://www.northtyneside.gov.uk/browse-display.shtml?p\\_ID=519704&p\\_subjectCategory=992](http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=519704&p_subjectCategory=992)
- (h) North Tyneside Homes Autumn edition of Housing Matters  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=540156](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=540156)
- (i) Details of tenant consultation events  
[http://www.northtyneside.gov.uk/browse-display.shtml?p\\_ID=541316&p\\_subjectCategory=392](http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=541316&p_subjectCategory=392)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

- 2.1.1 As this is a financial report, implications are covered within the main body of this report and Annex 1. Decisions on the budget in relation to the Housing Revenue Account and Housing Capital Plan need to be made within the overall context of the resources available to the Authority's Housing Revenue Account, the HRA business plan and within the legal framework for setting budgets.
- 2.1.2 Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the HRA Business Plan and Budget, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008. Section 6 of Annex 1 to this report carries this advice in relation to the information included in the 2013-2015 HRA Business Plan proposals.

### **2.2 Legal**

- 2.2.1 Section 76(2) of the Housing Act 1989 requires each authority to produce a Housing Revenue Account budget in the January and February that immediately precede the financial year to which it will relate. In relation to the Housing Revenue Account (HRA) draft revenue budget, there is a legal requirement to give all tenants four weeks notice of any rent changes. Agreeing the budget at this meeting will give time to produce and deliver the appropriate notifications, and to carry out all required systems testing before the rent changes are implemented.
- 2.2.2 Pursuant to the allocation of responsibilities between Cabinet and full Council under the Local Authority (Functions and Responsibilities) Regulations 2000, the responsibility for setting the Housing Revenue Account budget and so for setting the rent increase and the Housing Capital Plan for 2013-14, lies with Cabinet.

### **2.3 Community engagement**

#### **Internal consultation**

- 2.3.1 Each Cabinet Member has been consulted on the proposals put forward in this report, with regular discussions held between the Chief Executive, Strategic Directors, the Elected Mayor, the Cabinet Member for Housing and the Cabinet Member for Finance. The Senior Leadership Team and their Directorate Leadership Teams have been fully engaged in the process and in the proposals set down in this report. Discussions are to be held with Overview and Scrutiny on the 7 January 2013 and with the Housing and Economic Prosperity Sub Committee on the 14 January 2013. All political parties have been offered individual budget briefings.

#### **Community engagement**

- 2.3.2 The Cabinet's budget engagement strategy was approved at its meeting on 10 September 2012, and engagement has been carried out in accordance with the



approved Strategy. The outcomes of all of the budget engagement undertaken have been fed into the budget process. The engagement activity is detailed in section 1.5.5.-1.5.13.

## **2.4 Human rights**

2.4.1 All actions and spending plans contained within the Budget are fully compliant with national and international Human Rights Law. For example, Article 10 of the European Convention on Human Rights guarantees freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas'. Article 8 of the Convention guarantees the right to respect for private and family life.

## **2.5 Equalities and diversity**

2.5.1 In undertaking the process of the Housing Revenue Account Budget setting the Authority's aim has been at all times to secure compliance with its responsibilities under the Equality Act 2010 and in particular the public sector equality duty under that Act.

To achieve this we have taken a phased approach:

- An Equalities Impact Assessment has been carried out on the Budget Engagement process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme.
- Projects within the Plan also ensure that the Council complies with its duty to promote equality.

## **2.6 Risk management**

2.6.1 Individual projects within the Housing Revenue Account Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority's agreed approach to project management. Risks will be entered into the appropriate directorate, corporate/strategic or project risk register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

## **2.7 Crime and disorder**

2.7.1 Projects within the Housing Revenue Account Budget will promote the reduction of crime and disorder within the Borough. Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder.

## **2.8 Environment and sustainability**

2.8.1 The Sustainable Community Strategy includes the aim to, "Reduce carbon emissions and ensure that the borough is prepared for the effects of climate change." A number of the proposals will contribute to this. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

**PART 3 - SIGN OFF**

- Strategic Director(s)  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Strategic Manager, Policy and Partnerships  X