

North Tyneside Council Report to Cabinet 15 January 2015

ITEM 3

2015-2018 Financial Planning and Budget Process: Cabinet's Final Budget Proposals for the 2015/16 Housing Revenue Account (HRA) Business Plan and Budget

Portfolio(s): Elected Mayor Finance and Resources Housing and Environment	Cabinet Member(s): Mrs Norma Redfearn Cllr Ray Glindon Cllr John Harrison
Report from Service Area:	Senior Leadership Team
Responsible Officer:	Patrick Melia, Chief Executive (Chief Finance Officer) Tel: 643 2001
Wards affected:	All

PART 1

1.1 Purpose:

- 1.1.1 Cabinet, in its report of 24 November 2014, 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 2015-2018 and associated Investment Plan 2015-2019 (Annex 1). In addition, the report outlined the proposed housing rent, garage rent and service charge increases for 2015/16.
- 1.1.2 Following the report on 24 November 2014 in relation to the Housing Revenue Account for 2015/16, in accordance with the responsibilities of Cabinet pursuant to the Local Government Act 2000, Cabinet is now formally asked to approve the housing rent, garage rent and service charge increases, along with the housing element of the 2015-2019 Investment Plan. The November report started with the 2014/15 budget monitoring position reported to Cabinet as at September 2014. At Cabinet on 12 January 2015 the budget monitoring position at November 2014 was reported, and hence the starting balance for the revenue account has increased by £0.095m, and, in the Investment Plan, the amount of re-programming has increased by £0.834m in relation to New Build schemes. These changes have been reflected in the figures shown in Appendix A and Appendix B. There have been no changes to the rent, garage and service charge increases proposed in the 24 November 2014 Cabinet report for 2015/16, and no other changes to the revenue plans for 2015-2018 or to the 2015-2019 Investment Plan programme from the figures presented on 24 November 2014.

1.1.3 The purpose of this report is therefore:

- (a) To consider and agree the Housing Revenue Account 2015/16 revenue budget proposals and associated business plan;
- (b) To increase individual council rents as outlined in Section 2.6 of the annex to this report, and Section 7.2.6 of the 24 November 2014 Cabinet report in line with the Government's new guidance regarding social rent policy;
- (c) To consider and agree to move rents to target social rent when properties become vacant and are due for re-let, except in certain circumstances i.e. mutual exchanges, successor tenancies or in circumstances where the Authority requests people to move with no choice;
- (d) To Increase housing service charges and garage rents by 1.2%;
- (e) To note the assessment in relation to the current year's budget monitoring information (2014/15) and indications of financial plans for 2015/16, 2016/17 and 2017/18 for the Housing Revenue Account;
- (f) To agree the Housing (HRA) Investment Plan 2015-2019;
- (g) To note the current position in relation to proposed Welfare Reform changes;
- (h) To agree the Housing Revenue Account Treasury Management Statement incorporating the Annual Investment Strategy for 2015/16; and
- (i) 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:

2015-2018 Housing Revenue Account Business Plan and Budget

- (a) Consider any recommendations of Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's initial Budget Proposals for the 2015/16 Housing Revenue Account (HRA) Business Plan and Budget agreed by Cabinet on the 24 November 2014 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 2015/16 Housing Revenue Account budget, and associated business plan (Annex 1, Section 3 & Appendix A) and note the Housing Revenue Account Statement to Cabinet by the Chief Finance Officer (Annex 1, Section 6);
- (c) Increase individual council rents by 2.2% as outlined in section 2.6 of Annex 1 to this report and section 7.2.6 of the 24 November 2014 Cabinet report in line with the Government's new guidance on social rent policy;
- (d) Consider and agree to move rents to target social rent when properties become vacant and are due for re-let, except in certain circumstances i.e. mutual exchanges, successor tenancies or in circumstances where the authority requests people to move with no choice;

- (e) Increase housing service charges and garage rents by 1.2% (Annex 1, Section 2.4);
- (f) Note the assessment in relation to the current year's budget monitoring information (2014/15) and indications of financial plans for 2015/16, 2016/17 and 2017/18 for the Housing Revenue Account;
- (g) Agree the Housing (HRA) 2015-2019 Investment Plan (Annex 1, Section 4 and Appendix B);
- (h) Note the current position in relation to the Government's Welfare Reform changes as they affect the HRA, and delegate authority to the Chief Executive (as Section 151 Officer) in consultation with the Elected Mayor, Cabinet Member for Housing and Deputy Chief Executive to take appropriate action should it be necessary, with particular reference to the level of in-year Bad Debt Provision within the HRA; and,
- (i) 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 2015/16

- (j) Note the Draft Corporate Treasury Management Statement and Annual Investment Strategy for 2015/16 (Appendix C) which sets out the general principles followed by both the HRA and the General Fund in relation to the Authority's management of investments, cash flows, banking, money market and capital transactions. This draft will be due for approval by Full Council at its meeting on 19 February 2015 as part of the overall Financial Planning and budget process. In relation to the HRA in particular note the continued policy of paying off existing debt where affordable and appropriate for the plan, which will see an estimated £122.395m reduction in loans attributed to the HRA from the start of self-financing to the end of this 30 year plan.

1.3 Forward plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 24 November 2014.

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 Authority's Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority'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 a similar timetable as in previous years. The priorities in the Our North Tyneside Plan 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 2015/16 final budget proposals for the Housing Revenue Account and associated business plan, the 2015-2019 Housing Investment Plan and the Housing Treasury Management Statement and Annual Investment Strategy for 2015/16.
- 1.5.2 At its meeting on 8 September 2014, Cabinet approved the process and timetable to be adopted for the preparation of the 2015/16 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2015-2019 Investment Plan, as part of the overall Financial Planning and Budget process for 2015-2018. Cabinet also approved the Budget Engagement Strategy at that meeting.
- 1.5.3 On 24 November 2014, Cabinet considered its initial budget proposals, based on information available at that point in time. Cabinet is now formally asked to approve the housing rent, garage rent and service charge increases, along with the housing element of the 2015-2019 Investment Plan.

Budget Engagement

- 1.5.4 Since April 2014 the Local Authority has engaged with over 2,000 tenants and leaseholders in detail in relation to all aspects of housing services. This includes where money is spent, rent increase for tenants and priorities for the budget moving forward.
- 1.5.5 Specific consultation included discussions at Area Housing Forums and the 'Making a Difference' event in summer 2014 where 120 tenants were consulted. Tenants on the Income Service Development Group monitor the rent performance and have been consulted on the implications to the HRA of the proposed rent increase. 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.
- 1.5.6 The quarter 3 edition of the 2014/15 Housing Matters is distributed to all tenants to give them information on the proposed rent increase for 2015/16 and on how the rent money was spent in 2014/15. Housing Matters will also contain comprehensive information about current service delivery and the priorities for the future based upon tenant feedback.
- 1.5.7 Priorities and challenges for the year ahead are discussed with the Housing Overview Panel on a quarterly basis. The Panel is made up of representatives from each of the Service Development Groups. Topics for discussion include proposals for new build properties, developments arising out of the welfare reform changes, budget priorities for next year and performance management of rent arrears.
- 1.5.8 The key issues arising from the consultation on Housing so far, include:
- Support for building new affordable homes;
 - Pressures on advice services arising from the Government's Welfare Reform changes;
 - Support for improvements being made at North Tyneside Living Accommodation for older tenants in the borough;
 - 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.

1.5.9 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 precedes 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 is 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.

1.6 Decision options:

Option 1

1.6.1 Cabinet can agree the proposals set down in this report.

Option 2

1.6.2 Alternatively, Cabinet can suggest that further / different options are considered by the Senior Leadership Team.

1.6.3 Option 1 is the preferred option.

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, but also needs to be mindful of the impact upon tenants and overall affordability. Hence Cabinet has been advised to adhere to the new Government guidance on social rent policy, whilst taking the opportunity to move properties to target rent upon re-let, which will help maximise the resources available within the plan. 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 and indeed to build new stock, to help meet the aspirations of Members and our tenants.

1.8 Appendices:

Annex 1:	2015-2018 Financial Planning and Budget Process: Cabinet's Final Budget Proposals for the 2015/16 Housing Revenue Account (HRA) Business Plan and Budget.
Appendix A:	HRA Summary Plan 2015-2018.
Appendix B:	HRA Investment Plan 2015-2019.
Appendix C	Draft Treasury Management Statement and Annual Investment Strategy 2015/16

1.9 Contact officers:

Janice Gillespie, Finance Service
Tel No 643 5701

Darrell Campbell, Finance Service
Tel No 643 7052

Cathy Davison, Finance Service
Tel No 643 5727

Margaret Keith, Finance Service
Tel No 643 5747

Vivienne Geary, Law and Governance
Tel No 643 5339

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) [North Tyneside Council's Constitution and Budget & Policy Framework Rules](#)
- (b) [2015-2018 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals \(24 November 2014\).](#)
- (c) [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](#)
- (d) [Housing Revenue Account 30 Year Business Plan](#)
- (e) [North Tyneside Homes Service Plan](#)
- (f) [Housing Asset Management Strategy 2015-2020](#)

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 Investment 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 2015-2018 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 Government Act 2000 and the Local Authority (Functions and Responsibilities) (England) Regulations 2000, the responsibility for setting the Housing Revenue Account budget and so for setting the rent increase and the HRA Investment Plan for 2015/16, 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, the Deputy Chief Executive, Heads of Service, the Elected Mayor, the Cabinet Member for Housing and Environment and the Cabinet Member for Finance and Resources. The Senior Leadership Team and their Service Teams have been fully engaged in the process and in the proposals set down in this report. The report of the Budget sub-group, which has considered the Cabinet's initial proposals in relation to the Housing Revenue Account, was submitted to the Overview, Scrutiny and Policy Development Committee on the 5 January 2015. 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 8 September 2014, 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.

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; and,
- Projects within the Plan also ensure that the Authority 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 service, 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 Our North Tyneside Plan includes the aim to, "Reduce the carbon footprint of our operations and work with partners to reduce the Boroughs carbon footprint." 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

- Deputy Chief Executive X
- Head of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy X