

North Tyneside Council Report to Cabinet 14 January 2016

ITEM 6(b)

**HOUSING REVENUE ACCOUNT
2016-2019 Financial Planning and
Budget Process: Cabinet's Final
Budget Proposals for the 2016/17
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:

Janice Gillespie, Head of Finance

(Tel: 0191 643 5701)

Wards affected:

All

PART 1

1.1 Executive Summary

- 1.1.1 Cabinet, in its report of 7 December 2015, 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 (HRA) Budget for 2016-2019 and the associated Investment Plan 2016-2019 (Annex 1). In addition, the report outlined the proposed changes to housing rent, garage rent and service charges for 2016/17.
- 1.1.2 Following the report on 7 December 2015 in relation to the HRA for 2016/17, in accordance with the responsibilities of Cabinet pursuant to the Local Government Act 2000, Cabinet is now formally asked to approve the housing element of the 2016-2019 Investment Plan, the proposed freeze on service charges, the increase on garage rents along with the proposed rent reduction as set out in the Housing and Planning Bill 2015.
- 1.1.3 The December report started with the 2015/16 budget monitoring position reported to Cabinet as at September 2015, which was the most recent position statement. The Budget monitoring position at November 2015 is also being reported to Cabinet at this meeting and, as a result of that report, the starting balance for the revenue account has increased by £0.316m. There is no change at this stage to the amount of re-programming declared within the Investment Plan as at November 2015. These changes have been reflected in the updated figures shown in Appendix A and Appendix B.

1.1.4 There have been no changes to the rent, garage rent and service charge proposals that were included in the 7 December 2015 Cabinet report for 2016/17, and no other changes to the revenue plans for 2016-2019 or to the 2016-2019 Investment Plan programme from the figures presented on 7 December 2015.

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:

2016-2019 Housing Revenue Account Business Plan and Budget

- (a) Consider the recommendations of the Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's initial Budget proposals for the 2016/17 Housing Revenue Account (HRA) Business Plan and Budget agreed by Cabinet on the 7 December 2015 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 2016/17 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) Reduce individual council rents by 1% as outlined in section 2.1 of Annex 1 to this report and section 8.2.1 of the 7 December 2015 Cabinet report in line with the Government's new proposals for social rent as laid out in the Housing and Planning Bill 2015;
- (d) Agree to a freeze in existing service charges for 2016/17 (Annex 1, Section 2.1);
- (e) Increase garage rents by 2% (Annex 1, Section 2.1);
- (f) Approve the principle that, to treat all tenancies equally, the rent reduction should also be applied to tenants in the new North Tyneside Living PFI properties as this is at the Cabinet's discretion (Annex 1, Section 2.1);
- (g) Approve the continuation of the policy agreed by Cabinet as part of the 2014-15 Financial Planning and Budget Process to protect existing North Tyneside Living tenants from excessive rent increases due to the works undertaken within the Private Finance Initiative (PFI) schemes by applying protection to their rent accounts which reduces the amount of the newly calculated rent that they have to pay. (Annex 1, Section 2.1);
- (h) Note the assessment in relation to the current year's Budget monitoring information (2015/16) and indications of financial plans for 2016/17, 2017/18 and 2018/19 for the Housing Revenue Account;
- (i) Agree the HRA Investment Plan 2016-2019 (Annex 1, Section 4 & Appendix B);
- (j) Approve the Prudential Indicators which are specific to the Housing Revenue Account as set out in Appendix C to Annex 1 of this report;

Treasury Management Statement and Annual Investment Strategy 2016/17

- (k) Note the Draft Corporate Treasury Management Statement and Annual Investment Strategy for 2016/17 (Appendix D to Annex 1 of this report) which sets out the general principles followed by both the HRA and 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 18 February 2016 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 £126.097m

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 30 November 2015.

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 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 2016/17 final budget proposals for the Housing Revenue Account and associated Business Plan, the 2016-2019 HRA Investment Plan and the HRA Treasury Management Strategy and Annual Investment Strategy for 2016/17.

1.5.2 At its meeting on 14 September 2015, Cabinet approved the process and timetable to be adopted for the preparation of the 2016/17 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA) and the 2016-2019 Investment Plan, as part of the overall Financial Planning and Budget process for 2016-2019. Cabinet also approved the Budget Engagement Strategy at that meeting.

1.5.3 On 7 December 2015, 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 changes, along with the housing element of the 2016-2019 Investment Plan.

1.6 Budget Engagement

1.6.1 Since April 2015 the Local Authority has consulted with 4,000 people and engaged with 2,000 tenants and leaseholders in detail in relation to all aspects of housing services. This includes surveys to find out what they think of their homes and neighbourhood, their reaction to the anti-social behaviour and victim support service, the impact of Welfare Reform and the priorities for the budget moving forward.

1.6.2 Specific consultation included: Have Your Say Day surveys in 2 Wards of the Borough; Focus Groups on Repairs, Housing Strategy, health provision, the review of the tenancy agreement and a review of low level anti-social behaviour; the 'Making a Difference' event in summer 2015 where 90 tenants were consulted on future priorities. 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 decrease and the impact of the Summer and Autumn Chancellor's statements.

- 1.6.3 Housing information is now included in a borough-wide Council magazine 'Our North Tyneside' Information about North Tyneside Living accommodation for elderly people, new build accommodation and town regeneration, crime and anti-social behaviour, financial budgeting and tenancy fraud have all been included.
- 1.6.4 Priorities and challenges for the year ahead are discussed with tenants in general at the annual Summer tenant event 'Making A Difference' and in more detail with the Housing Overview Panel on a quarterly basis. The Panel is made up of representatives from each of the 7 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.
- 1.6.5 The key issues arising from the consultation on Housing so far, include:
- Support for the refurbishment and rebuilding programme of North Tyneside Living Accommodation for older tenants in the borough;
 - The future focus for Kier North Tyneside in improving the repair service to tenants by getting repairs done right first time and monitoring this moving forward;
 - Tenants were pleased to see continued investment in maintaining their homes to the decent homes standard;
 - The growth of the victim and witness support group of volunteers after funding was obtained for training and equipment;
 - A continued focus on reducing void turn-around after mystery shopping empty homes;
 - The awareness of pressures on housing and advice services arising from the Government's Summer and Autumn statements;
 - Concern at the cumulative impact of Welfare Reform on tenants of working age especially those in low paid or temporary work;
 - Concern raised around the content of the Housing and Planning Bill and Welfare Reform and Work Bill along with the implications for the service moving forward;
 - The need to change the way we deal with low level anti-social behaviour after tenant and Councillor led review;
 - The development of a sustainable tenancy programme to support vulnerable tenants and prolong tenancies; and
 - Joint review with Members on low level anti-social behaviour.
- 1.6.6 Section 76 (2) of the Local Government and 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 decrease 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.

1.7 Decision options

Option 1

- 1.7.1 Cabinet can agree the proposals set down in this report.

Option 2

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

1.7.3 Option 1 is the preferred option.

1.8 Reasons for recommended option:

1.8.1 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 implement the new Government proposals for social rent policy which are currently being legislated upon. The full implications of all the proposals contained within current draft legislation are still unknown, and will emerge within subsequent regulations. The Authority is facing significant challenges in generating the future income required to maintain and develop its existing stock, and indeed to develop new stock. Approving this option based on current available information should place the Authority in the best position to meet those challenges and continue to meet the aspirations of Members and our tenants.

1.9 Appendices

Annex 1: 2016-2019 Financial Planning and Budget Process: Cabinet's Final Budget Proposals for the 2016/17 Housing Revenue Account (HRA) Business Plan and Budget.

Appendix A: HRA Summary Plan 2016-2019.

Appendix B: HRA Investment Plan 2016-2019.

Appendix C: 2016-2019 Prudential Indicators.

Appendix D: Draft Treasury Management Statement and Annual Investment Strategy 2016/17.

1.10 Contact Officers

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1.11 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 Procedure Rules.
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=562475
- (b) 2016-2019 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals (7 December 2015).
http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=563450&p_subjectCategory=41
- (c) Housing Revenue Account 30 Year Business Plan.
[HRA 30 year Business Plan 2016-46.xls](#)
- (d) Environment, Housing and Leisure Service Plan 2015/16
[Environment Housing Leisure Service Plan 2015-16 FINAL.docx](#)
- (e) Housing Asset Management Strategy 2015-2020.
[NTH Asset Management Strategy - 2015-2020.pdf](#)

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 2016-2019 HRA Business Plan proposals.

2.2 Legal

- 2.2.1 Section 76 (2) of the Local Government and 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 changes and the HRA Investment Plan for 2016/17, lies with Cabinet.

2.2.3 In the event of the Housing and Planning Bill 2015 not receiving Royal Assent a report would need to be brought back to Cabinet to consider the implications and options available to the Authority.

2.3 Consultation / 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 4 January 2016. 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 14 September 2015, 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 1.6.

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 (EIA) 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 Our North Tyneside 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(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy X