

# North Tyneside Council Report to Cabinet 16 January 2017

## ITEM 6b

**HOUSING REVENUE ACCOUNT  
2017-2020 Financial Planning and  
Budget Process: Cabinet's Final  
Budget Proposals for the 2017/18  
Housing Revenue Account (HRA)  
Business Plan and Budget**

**Portfolio(s): Elected Mayor**

**Finance and Resources**

**Housing and Transport**

**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 28 November 2016, 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 2017-2020 and the associated Investment Plan 2017-2020 (Annex 1). In addition, the report outlined the proposed changes to housing rent, garage rent and service charges for 2017/18.
- 1.1.2 Following the report on 28 November 2016 in relation to the HRA for 2017/18, 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 2017-2020 Investment Plan, the proposed freeze on service charges, the increase on garage rents along with the continuation of the rent reduction legislated for by government in the Welfare Reform and Work Act 2016.
- 1.1.3 The November report started with the 2016/17 budget monitoring position reported to Cabinet as at September 2016. At Cabinet on 9 January 2017 the budget monitoring position at November 2016 was reported, and hence the starting balance for the revenue account has increased by £0.265m, although there is no change at this stage to the amount of re-programming declared within the Investment Plan as at November 2016. These changes have been reflected in the updated figures shown in Appendix C and Appendix D.

1.1.4 There have been no changes to the rent, garage rent and service charge proposals that were included in the 28 November 2016 Cabinet report for 2017/18, and no other changes to the revenue plans for 2017-2020 or to the 2017-2020 Investment Plan programme from the figures presented on 28 November 2016.

1.1.5 The purpose of this report is therefore:

- a) To consider and agree the Housing Revenue Account 2017/18 revenue budget proposals and associated business plan;
- b) To reduce individual council rents as outlined in section 2.1.1 of the annex to this report, and the Housing Revenue Account section of the 28 November 2016 Cabinet report in line with the Government's changes to social rent policy as enacted in the Welfare Reform and Work Act 2016;
- c) To agree to a continuation of the freeze in existing service charges for 2017/18, except for furniture charges where the service is currently being re-procured, and the charges will need to be reviewed to ensure the costs of the scheme are at least recovered;
- d) To agree to increase garage rents by 2% in line with Government's previous long-term target for the Consumer Prices Index (CPI);
- e) To note the assessment in relation to the current year's budget monitoring information (2016/17) and indications of financial plans for 2017/18, 2018/19 and 2019/20 for the Housing Revenue Account;
- f) To agree the Housing Investment Plan 2017-20;
- g) To note that 2017/18 signals the end of the 5-year transitional arrangements for the use of a "proxy" rather the calculation of a "true" Depreciation charge, and that 2017/18 will be the first year where a true charge will be required;
- h) To note the current position in relation to major housing legislation which has been passed into law, and its potential impact on the Housing Revenue Account;
- i) To agree the Housing Revenue Account Treasury Management Statement incorporating the Annual Investment Strategy for 2017/18;
- j) To agree to a review of the charges for guest rooms and commercial areas within the North Tyneside Living schemes as the project reaches completion, to ensure that appropriate charges are raised to cover essential costs; and
- k) To note and 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:

### **2017-2020 Housing Revenue Account Business Plan and Budget**

- (a) Consider any recommendations of the Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's initial Budget proposals for the 2017/18 Housing Revenue Account (HRA) Business Plan and Budget agreed by Cabinet on the 28 November 2016 and any impact the recommendations may have on these proposals (Annex 1, Section 3.0);
- (b) Consider and agree the final proposals in relation to the 2017/18 Housing Revenue Account Budget and associated Business Plan (Annex 1, Section 2.2 & Appendices C (i) – (III)) and note the Housing Revenue Account Statement to Cabinet by the Chief Finance Officer (Annex 1, Section 4.0);

- (c) Reduce individual council rents by 1% as outlined in section 2.1.1 of Annex 1 to this report and in the HRA section of the 28 November 2016 Cabinet report in line with the Government's policy for social rent as laid out in the Welfare Reform and Work Act 2016;
- (d) Agree to a freeze in existing service charges for 2017/18 (Annex 1, Section 2.1.1) except for charges in relation to furniture packs, which will need to be reviewed as part of the current re-procurement to ensure that costs are adequately recovered by the charges set;
- (e) Increase garage rents by 2% (Annex 1, Section 2.1.1);
- (f) Note that Government now proposes that the 1% rent reduction is applied across all tenancies equally including supported housing, except for very specific exemptions. This was essentially the decision Cabinet had already applied last year as the rent reduction was applied to tenants in the new North Tyneside Living PFI properties (Annex 1, Section 2.1.1);
- (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 2.1.1);
- (h) Agree to a review of the charges for guest rooms and commercial areas within the North Tyneside Living schemes as the project nears completion to ensure costs are adequately covered where possible and practicable;
- (i) Note the assessment in relation to the current year's Budget monitoring information (2016/17), and indications of financial plans for 2017/18, 2018/19 and 2019/20 for the Housing Revenue Account;
- (j) Agree the HRA Investment Plan 2017-2020 (Annex 1, Section 2.3 & Appendix D);
- (k) To note that 2017/18 signals the end of the 5-year transitional arrangements for the use of a "proxy" rather the calculation of a "true" Depreciation charge, and that 2017/18 will be the first year where a true charge will be required;
- (l) Approve the Prudential Indicators which are specific to the Housing Revenue Account as set out in Appendix E to Annex 1 of this report;

### **Treasury Management Statement and Annual Investment Strategy 2016/17**

- (m) Note the Draft Corporate Treasury Management Statement and Annual Investment Strategy for 2017/18 (Appendix B 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 16 February 2017 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 £134.399m 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 5 December 2016.

### **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 2017/18 final budget proposals for the Housing Revenue Account and associated Business Plan, the 2017-2020 HRA Investment Plan and the HRA Treasury Management Strategy and Annual Investment Strategy for 2017/18.

1.5.2 At its meeting on 12 September 2016, Cabinet approved the process and timetable to be adopted for the preparation of the 2017/18 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA) and the 2017-2020 Investment Plan, as part of the overall Financial Planning and Budget process for 2017-2020. Cabinet also approved the Budget Engagement Strategy at that meeting.

1.5.3 On 28 November 2016, 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 2017-2020 Investment Plan.

### **1.6 Budget Engagement**

1.6.1 Since April 2016 the Local Authority has consulted and engaged with tenants and leaseholders across a range of housing services. This includes surveys to find out what they think of their homes and neighbourhood, the impact of Welfare Reform and the priorities for the budget moving forward.

1.6.2 Specific consultation included: Involvement and Budget session held in the summer where tenants were consulted on future priorities; Focus Groups on Repairs, the review of the Lettings Policy and Tenancy Agreement. Tenants on the Neighbourhood Service Development Group monitor the rent performance and have been consulted on the implications to the HRA and the emerging impact of the Housing and Planning Act along with the Welfare and Work Act.

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, 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 and in more detail with the Housing Overview Panel on a quarterly basis. The Panel is made up of representatives from each of the 6 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;
- Continued investment in maintaining their homes to the decent homes standard;
- The growth of the victim and witness support group of volunteers;
- A continued focus on reducing void turn-around;
- The awareness of pressures on housing and advice services arising from proposed Government changes;
- 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

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

continue to implement the new Government proposals for social rent policy which have now been legislated upon. The full implications of all the proposals contained within recent legislation are still unknown, some will change or be discarded, and others 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: 2017-2020 Financial Planning and Budget Process: Cabinet's Final Budget Proposals for the 2017/18 Housing Revenue Account (HRA) Business Plan and Budget.

Appendix A: HRA: Welfare Reform and Legislative Impact

Appendix B: Draft Treasury Management Statement and Annual Investment Strategy 2017/18.

Appendix C: (i) HRA Summary Plan 2017-2020;  
(ii) HRA 2017-2020 - Pressures and Growth;  
(iii) HRA 2017-2020 – Efficiency Savings.

Appendix D: HRA Investment Plan 2017-2020.

Appendix E: 2017-2020 Prudential Indicators.

## **1.10 Contact Officers**

Janice Gillespie, Head of Finance  
Tel No 643 5701

Darrell Campbell, ENGIE Finance  
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

## **1.11 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.

(b) 2017-2020 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals (28 November 2016).

(c) Housing Revenue Account 30 Year Business Plan 2017-47.

[U:\OfficeEditor\VM-CTX59\EC\\_CS01\c579188\17-47 HRA Business Plan-160117-FINAL.xls](U:\OfficeEditor\VM-CTX59\EC_CS01\c579188\17-47 HRA Business Plan-160117-FINAL.xls)

(d) North Tyneside Homes Service Plan.

(e) Housing Asset Management Strategy 2015-2020.

(Hyperlinks to follow)

## **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 4.0 of Annex 1 to this report carries this advice in relation to the information included in the 2017-2020 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 2017/18, lies with Cabinet.

2.2.3 In relation to recent legislation namely the Housing and Planning Act 2016 and the Welfare Reform and Work Act 2016, further reports will need to be brought forward to Cabinet as further elements of the requirements contained within them are implemented via Regulation, or discarded as was the case with the implementation of the compulsory High Income Social Tenants policy (i.e. Pay to Stay).

## **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 Transport 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 10 January 2017. 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 12 September 2016, 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