



**NORTHAMPTON**  
BOROUGH COUNCIL

## **CABINET REPORT**

<b>Report Title</b>	<b>Housing Revenue Account (HRA) Budget, Rent Setting 2018/19 and Budget Projections 2019/20 to 2022/23</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	20 December 2017
<b>Key Decision:</b>	NO
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Management Board
<b>Accountable Cabinet Member:</b>	Cllr B Eldred
<b>Ward(s)</b>	N/A

### **1. Purpose**

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- 1.1 The purpose of this report is to present for consultation the Cabinet's draft budget proposals for 2018/19, including Rent setting for 2018/19, and forecast budgets for 2019/2023 for the draft Housing Revenue Account (HRA) and the draft HRA Capital Programme and financing proposals.
- 1.2 The report also outlines the draft Total Fees for Northampton Partnership Homes (NPH) based on the draft 2018/19 budgets.

### **2. Recommendations**

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- 2.1 That Cabinet approve the draft Housing Revenue Account (HRA) budget including charges and rents as detailed in Appendices 1 and 4 for public consultation.
  - 2.2 That Cabinet approve the draft HRA Capital Programme and financing, as detailed in Appendix 2 for public consultation.
  - 2.3 That Cabinet note the draft Total Fees proposed for NPH to deliver the services in scope.
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### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 Local housing authorities are required by Section 754 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a HRA. The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of the HRA expenditure and how these are funded, mainly from rents. The HRA budget process incorporates the calculation for the continuation of delivery of the HRA services by NPH. The details of the arrangements and indicative financial Total Fees were presented to Cabinet on the 12th November 2014. This report provides the updated financial position and indicative Total Fee for NPH for 2018/19 to provide the services in scope. It should be noted that the Total Fee for NPH in 2018/19 will be subject to approval of the HRA and General Fund Budgets by Council at its meeting in February 2018.
- 3.1.2 The Council has statutory responsibility for the HRA and will therefore retain management of the HRA. NPH, as part of their responsibilities, will provide the Council with information on its activities and advice on how best to make use of the resources within the HRA.

#### **The Financial Position and emerging Government Policy Implications**

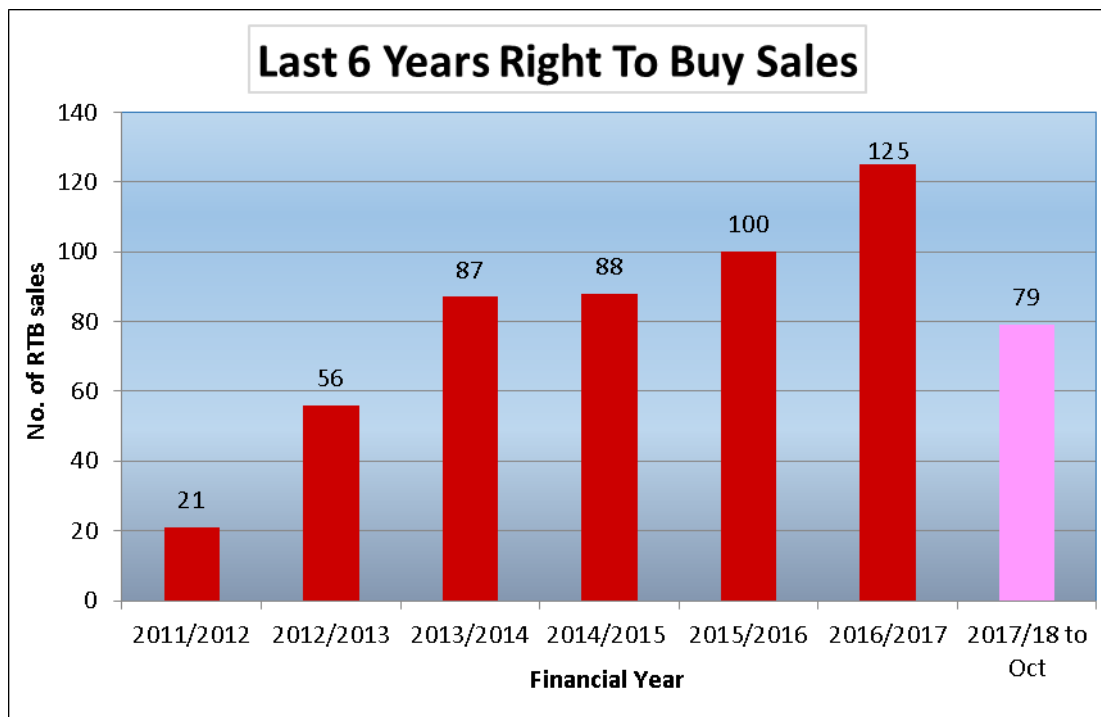
- 3.1.3 The national and global economic outlook has shifted over the last 12 months, due to the outcome of the referendum on in June 2016 leading to the UK's proposed withdrawal from the European Union. The position remains uncertain whilst negotiations on the terms of withdrawal and future trading relationships are negotiated. The impact on the Borough Council's budget and HRA medium term financial plan are:
- Demand for housing currently remains strong and whilst this is of benefit to Northampton's wider growth strategy it puts increasing pressure on the HRA from the increase in number of instances of homelessness and the managing of the HRA housing stock.
  - Inflation, as measured by the Consumer Price Index, has risen to 3% and is expected to stay at this sort of level for a while. This will potentially lead to inflationary pressures within the Council's HRA budget.
  - Interest rates are forecast to rise slightly over the medium term. The Bank of England base rate was increased to 0.5% in November and is expected to rise gradually further over the next 12 to 18 months. This has a positive impact on the Council's income from interest on cash balances of which the HRA gets a share, and forecasts have been updated accordingly. PWLB borrowing rates remain low by historical standards, making longer-term borrowing to fund investments more attractive.
- 3.1.4 Since the introduction of self-financing in 2012 there have been a host of government policy initiatives that have impacted upon housing finances. Some of the major impacting ones are the legislative backed 1 % rent reductions for 4 years from 1 April 2016, the encouraging of right to buy (RTB) by increasing RTB discounts, the extension of the RTB (and associated discounts) to housing association tenants to be paid for by a levy

charged to Local Authorities, and the introduction of Universal Credit and Benefit Cap.

More recently the Government has pledged to spend an additional £2bn on affordable housing and some details on proposals for future rent increases from 2020/21 were released with increases to be capped at CPI plus 1% for 5 years. There is now a prospect of some government support for Council new build

**3.1.5 HRA Debt Cap.** The HRA is subject to a debt cap whereby the Council cannot carry borrowing on the HRA above the level set by the Government. For Northampton, this level is £208.4m. The debt cap is to be increased by £8.6m via a special determination after the Council was successful in its Local Growth Fund (LGF) Bid for Council House New Build, more detail of which is reported in paragraph 3.1.9.3 below. This increases the Council's HRA debt cap to £217m.

**3.1.6 Right to Buy (RTB) sales** have increased compared to recent years following an increase in discount levels introduced from April 2012. The current years sales at the end of October, (79), are running ahead of last years,(64), at the same point in time. The total RTB sales for the last 6 years, and the current year to date is shown in the graph below:



Assumptions based on these increased resources are included within the indicative HRA capital programme financing shown at Appendix 2. There are two additional considerations arising from this change:

- Additional pressure is placed on the revenue budgets through reduced rental income; assumptions around this have been built into the HRA budgets being considered in this report; and
- The additional capital receipts,(retained "141" RTB receipt element 2018/19 £2.1m), must be used towards the provision of new social

housing and can only be used to finance 30% of this cost. If the Council does not spend the capital receipts within a 3 year rolling timeframe, the receipts, plus an amount for interest, are payable to Government. Paragraph 3.1.9.2 provides more detail.

- 3.1.7 **Extension of Right to Buy and Higher Value Void sales** policy extends the RTB to housing association tenants and to compensate housing associations for the discount given under the scheme from the proceeds of selling “high value” council houses as they became available. This was due to commence from 2017/18. It is anticipated that housing associations would use the receipt to reinvest in new homes. To meet the cost of the discounts a determination will be issued requiring local authorities with a HRA to make a payment to the government for a financial year reflecting the market value of “high value” housing likely to become vacant during the year less costs, whether or not receipts are realised. The determining of the level of payment each HRA Local Authority will be expected to make will be entirely formula driven. It is anticipated now that this policy implementation will happen from April 2019. The detailed formula behind this calculation is still anticipated to be consulted upon. Updated modelling has been carried out based on the limited information available. The annual levy from 2019/20 is estimated to be £6.9m with certain allowances being able to offset against it plus an assumed 30% allowed to be retained for funding new build would result in an estimated £3.1m being paid to the government. To pay this levy the HRA could have to sell on the open market an additional 19 dwellings each year. This is shown in the table below:

**Higher Value Voids Levy – the estimated figures**

Year	Gross Levy £000's	Allowances £000's	Retained for new Housing £000's	Payment to Government £000's	Number of sales Required Number
2019/2020	6,889	(1,516)	(2,265)	3,108	19
2020/2021	6,972	(1,533)	(2,312)	3,127	19
2021/2022	7,059	(1,553)	(2,357)	3,149	18
2023/2024	7,146	(1,572)	(1,955)	3,619	21
2024/2025	7,235	(1,592)	(1,692)	3,951	22

- assumes receipts will be realised from sales required

3.1.8 **Pay to Stay**

The Housing and Planning Bill 2016 made provision for the charging “high income social tenants” with reference to the market rate or other factors based on income and housing area. The Government decided not to proceed with the policy in its current compulsory form. Local authorities and housing associations have discretion as to whether to implement the policy for tenants with incomes over £60k. This policy is currently not applied by the Council.

### 3.1.9 **New Council House Build.**

#### 3.1.9.1 **Local Growth Fund – Dallington project**

The Council was successful in its bid, under the Governments LGF scheme, for an increase in its debt cap specifically to help fund the building of 100 new Council homes at Dallington. The increase in debt cap awarded was £8.6m, which allowed the Council to borrow specifically for this project within a specific timeframe. The costs and borrowing for this project are forecast to be covered over the life of the project by the rental streams generated by affordable rents.

This project plan has changed and as a result the Council applied to the DCLG in May 2016 and then again in March 2017 for a re-phasing of the increase in debt cap. Officers of the Council and NPH have been liaising with DCLG to find a solution, with a view to ensuring that the additional borrowing headroom created by the awarded increase in debt cap is not lost to the Council. The DCLG are currently considering a proposal from the Council to ensure that Dallington is still delivered, ensure that the Council keeps the increase debt cap to enable it to deliver other new build projects in the interim whilst progressing Dallington in a different timeframe.

3.1.9.2 **141 RTB Receipts** - One of the restrictions around the Local Growth Fund Scheme was that 141 RTB receipts were disallowed to be used as a part funding resource. The 141 RTB receipts have to be used to fund up to a maximum of 30% of new build, additionality projects or grants to Housing Association schemes. The RTB receipts have to be spent within 3 years from receipt under the rules of the 2012 agreement the Council signed up to, otherwise they are paid back to Treasury with interest at 4% above base. The Council and NPH have been developing a programme that will ensure that these receipts can be used within the timeframes of the agreement and not paid back to Treasury. The 2018/19 capital programme budget includes expenditure of £6.9m on new build buy backs and additionality schemes.

The Council is working closely with NPH to ensure the timely delivery of the replacement homes and clear plans for at least 76 additional homes at affordable rents are included in the draft 2018/19 capital programme. These new homes will partly offsets the loss of stock resulting from RTB sales.

#### 3.1.9.3 **10 Year New Housing Development Plan**

NPH has been working closely with the Council on a 10 year development plan for delivering more than 1,000 new affordable homes (including hundreds of new council homes) over the next ten years. This will help the Council to address the severe shortage of affordable housing in Northampton and reduce the rate at which the Council's housing stock is reducing through RTB. The Council has just completed a 'due diligence' exercise on NPH's development proposal and Officers from both organisations have worked

together to produce a delivery model that will maximise delivery of new housing over the next 10 years.

If approved, the development plan will maximise existing HRA capacity, safeguard the use of 141 RTB receipts and enable the delivery of housing outside of the HRA using NPH as the preferred developer. The plan will be subject to a separate full report that is due to be considered by Cabinet early in 2018

## **3.2 Housing Revenue Account Budget 2018/2019**

3.2.1 The HRA is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. The HRA Budget proposed for 2018/19 reflects the current service levels and the changes in service delivery from 5 January 2015,

3.2.2 The HRA budget estimates are attached at Appendix 1 to this report. The main areas to the HRA are reported below.

3.2.2.1 **Rental income**, by far the largest single budget within the HRA, has previously been calculated in accordance with national rent policy. For 2016/17 the Welfare Reform and Work Bill legislated that rents in the social sector should decrease by 1% for 4 years, 2018/19 will be third year of reductions. This was a move away from the 10 year policy of increasing rents using Consumer Price Index (CPI) plus 1 percentage point annually. Under the legislation specialised supported housing can be excepted from the decrease, namely designated Sheltered Accommodation. The Council has not applied for excepted status so it is proposed again that the 1% reduction is applied to all HRA dwellings which is reflected in the draft budget.

The proposal for rent decreases in 2018/19 is therefore 1% on average across the housing stock in line with the legislation. As previously reported this level of decrease reduces income over the 4 years by £20m which poses a real challenge to future sustainability of the HRA.

The HRA finances have been helped by the recent commitment to return to the CPI +1% rent increase cap for 5 years from 2020, which has been built into the HRA Business Plan. The understanding is that this will be progressed and the government will consult on next year.

3.2.2.2 **Service Charges**. The schedule of draft Service Charges for 2018/19 is attached at Appendix 3. The level of Service Charges should be set to enable the full recovery of costs incurred. It is proposed that general Service Charges are increased in line with CPI as at September 2017 (3.0%). It is proposed that charges in relation to Communal Heating Systems are frozen to reflect the current levels of expenditure. The Service Charges have been

reflected in the budgeted income figures. It should be noted that a review on service charges is currently ongoing and that the outcome of this review will be presented ahead of next years budget preparation for 2019/2020.

- 3.2.2.3 **Welfare Reform.** Universal Credit (UC) and other welfare reform is available to people who are on a low income or are out of work. It aims to make the welfare system simpler by replacing six benefits and tax credits with a single monthly payment. It includes support for the costs of housing, children and childcare, as well as support for disabled people and carers. The Council went live with the delivery of UC in November 2015. The roll out of UC in Northampton is initially only for new claims from single working age people, who would otherwise have been eligible for Jobseeker's Allowance, including those with existing Housing Benefit and Working Tax Credit claims. DWP announced that the full Digital Service for new UC cases will be rolled out to the Council in July 2018, at which point new claims to 'legacy' benefits, including HB, will cease.

New claims to legacy benefits will be closed, from late 2018. Migration of exiting benefit claims will follow thereafter and is planned to be completed by March 2022.

The government are concerned in respect of the current level of UC related rent arrears and has commissioned a review. This concern stems from both the fact that UC payments are made directly to the claimant and the inherent delays in UC payments appear to be the cause of increases to arrears. In addition to the review the government has also established a UC 'Trusted Partner' pilot. Under the Trusted Partner proposals, social landlords will be able to identify vulnerable claimants and apply to have the rent directed to the landlord before the tenant falls into arrears.

The Council continues to monitor closely the impact of welfare reforms which will have an impact on rent collection for the Council and therefore impact on the overall HRA position. The level of arrears and required level of bad debt provision will continue to be monitored closely throughout 2017/18 financial year and future years in light of the welfare reform roll out and the performance levels in the management of arrears.

- 3.2.2.4 **Repairs and Maintenance.** The revenue repairs and maintenance budget represents the non-capital costs of responsive and cyclical maintenance programmes. These are determined both with current service levels and the latest stock condition survey information.

- 3.2.2.5 **Capital Financing Costs.** The interest fixed rate costs to the HRA, (approx. £6.6m), are reflective of the move to a Self-financing HRA in 2012 where the Council under the Governments prescription took on the debt for its stock as calculated by the Self Financing Determinations. They reflect the preferential rates provided to Councils at that time from the PWLB. The debt is subject to close management with rigorous monitoring to ensure that the financial position for the HRA is optimised.

The Business Plan since Self-financing assumed a level of increasing balances available to repay debt in the future. The changes imposed by government through the rent decreases, Higher value void asset sales, increasing reductions in housing stock, and the current economic outlook

have undermined this position and therefore these surpluses are forecast not to materialise until later in the life of the 30 year plan. It is proposed to start setting aside annually a sum to repay debt when it comes due. This is currently being examined by officers to as one measure prudent to protect the future sustainability of the HRA but currently has not been built into the 2018/19 budget. The draft budget also needs to be put through the 2018/2019 HRA Business Plan model which could see some changes to the financial envelope available over the medium term. This will be modelled through the HRA Business Plan in conjunction with NPH and reported back to Cabinet at a later meeting.

### **3.3 NPH Management Agreement / services being provided**

- 3.3.1 The Council pays NPH a Total Fee to provide both the Housing Landlord services and those Housing General Fund Services in scope.
- 3.3.2 NPH receive what is defined in the Management Agreement as the “Total Fee” which will comprise of the majority of HRA budgets including the Capital Programme; Repairs and Maintenance and Operations Budgets. The Capital Programme (Improvement Programme) and the Repairs and Maintenance budgets are managed budgets, whilst the Operations budget is a devolved budget. NPH will receive some Housing General Fund (HGF) budgets in relation to relevant service attributable to these.
- 3.3.3 NPH operate using the management fee and manage the capital programme budget and revenue repairs and maintenance budget in accordance with what has been agreed by the Council.

### **3.4 NPH Total Fee**

- 3.4.1 The Draft NPH Total Fee has been negotiated in partnership with NPH taking into account the current level of budgets, the detailed 30 year Draft HRA Business Plan and the changes in available funding services in scope. The Asset Management Plan has been updated for the purposes of setting the draft budget. It should be noted that the HRA Business Plan is to be updated between Draft budget and Final which could lead to changes. The Draft NPH fee will be formerly confirmed by the NPH Board at its meeting scheduled in February 2018. The table below shows a summary of the draft 2018/19 Total Fee proposed. Further breakdown and detail can be found at Appendix 4.



### **Summary Table of Total Fee to NPH for 2018/19**

	<b>NPH Management Fee £'000s</b>
Management - HRA	13,822
Management - General Fund Housing	261
Maintenance - Repsonsive & Cyclical (Managed Budget)	12,057
Capital - Improvements to Homes (Managed Budget)	20,817
Capital - Improvement to Environment (Managed Budget)	3,000
Capital - ICT (Managed Budget)	500
<b>Total Fee</b>	<b>50,456</b>

- 3.4.2 The funding gap for 2018/19 created mainly by the 1% rent reduction has been managed jointly by NBC and NPH, working together to maximise resources out of current budgets and minimising, where possible, any re-phasing of the capital programme. Prior to the final HRA budget being approved in February 2018 the Council will continue to work closely with NPH in relation to the draft budgets and the medium, term financial plan. Emerging pressures – resulting from the additional running costs of NPH’s new offices – will need to be built into NPH future budget plans. As explained in the Cabinet report of 19<sup>th</sup> July 2017 operational efficiencies will be made to offset the indicative cost increase of £.
- 3.4.3 A summary of the overall draft HRA budget for 2018/19 and 2019 to 2023 is contained in Appendix 1.

### **3.5 HRA Reserves**

- 3.5.1 In previous years, Cabinet has approved the prudent set aside of funds into specific HRA Reserves to finance future HRA expenditure including capital financing, risks of Leaseholder claims, Service Improvements, and an Insurance reserve. The use of the capital reserve is incorporated into the capital programme financing considerations included later in this report. The table below shows the forecast opening balance on the reserves as at 1 April 2018. Any variations in the current financial year that requires the use of reserves not currently known will reduce this forecast starting position and impact on the finances available.

## Summary of HRA Earmarked Reserves and Working Balances

Summary	Balance B/f 1 Apr 2018	Earmarked in Year	Applied in Year	Balance C/f 31 Mar 2019
	£	£	£	£
HRA Reserves	(4,282,624)	(921,700)	0	(5,204,324)
HRA Leaseholder Reserve	(500,000)	0	0	(500,000)
HRA Service Improvement Reserve	(1,000,000)	0	0	(1,000,000)
HRA Insurance Reserve	(300,000)	0	0	(300,000)
<b>Total HRA Reserves</b>	<b>(6,082,625)</b>	<b>(921,700)</b>	<b>0</b>	<b>(7,004,325)</b>
<b>Min Level of Working Balances</b>	<b>(5,000,000)</b>	<b>0</b>	<b>0</b>	<b>(5,000,000)</b>
<b>Total HRA Reserves</b>	<b>(11,082,625)</b>	<b>(921,700)</b>	<b>0</b>	<b>(12,004,325)</b>

3.5.2 These reserves can be drawn down as required, to finance the future strategic requirements of the service, and will be subject to change as forecasts of funding are updated.

### **3.6 Adequacy of Working Balances**

3.6.1 A prudent level of working balance, along with appropriate application of reserves, should be part of the overall budget. The Chief Finance Officer reviews the level of balances required to support the Housing Revenue Account spend annually as part of a robust risk assessment. This risk assessment suggests that the minimum level of balances, taking all known risks into account should remain at the current level of £5m for 2018/19. This position takes into account the current understanding of the risks around the introduction of higher value asset sales to pay for the government levy and the potential time lag in getting receipts in to pay the quarterly invoice. The latest information is that this will not be introduced until 2019/2020. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year. Under the Management Agreement with NPH to recognise the change in service delivery NPH will continue to have available to it £1m of this working balance to call upon to maintain cash flow if required. Further work is ongoing, taking into account the government's latest budget, to assess the level of working balances in conjunction with NPH and any changes will be reported to Cabinet in February 2018.

3.6.2 This does not represent a medium to long term safe level of reserves. The level can only accommodate the impact of significant events up to the level set, and would need to be replenished if one or more such events actually occur.

### 3.7 Housing Revenue Account Capital Programme

#### HRA Capital Programme and Funding

- 3.7.1 Capital expenditure is essential for the Housing Revenue Account in order to maintain and improve the Council's housing stock. The HRA is an asset driven service and as such the capital programme plays a key part in the delivery of the HRA service.
- 3.7.2 The proposed HRA capital programme for 2018/19 to 2022/23 is attached at Appendix 2. The value of the total proposed HRA capital programme for 2018/19 is £24.8m.
- 3.7.3 The table below shows a summary of the proposed capital programme and funding for 2018/19.

#### Draft HRA Capital Programme Funding 2018-19

	HRA £000's
<b>Capital Programme 2018/19</b>	
External Improvements	11,200
Internal Works	1,250
Energy Works	0
Major Projects	4,886
Environmental Improvements	3,000
Structural Works and Compliance	681
Disabled Adaptations	1,300
IT Development	500
Buybacks / Spot Purchases / Pool	2,000
<b>Total HRA Capital Programme</b>	<b>24,817</b>
<b>Funding Source</b>	
Borrowing	6,015
Major Repairs Reserve/Depreciation	9,389
Capital Receipts	4,050
Revenue/Earmarked Reserve	5,363
<b>Total Funding</b>	<b>24,817</b>

- 3.7.4 The Asset Management Plan has been reviewed and updated by NPH with the latest information from the stock condition surveys. This has been included in the draft budget and will inform the refresh of the Council's HRA Business Plan for 2018/2019. The HRA Capital Programme has been developed within the context of the 30-year Business Plan and the existing Asset management plan. The capital programme has a direct impact on the revenue position of the HRA.

- 3.7.5 Although the main focus of the Capital Programme is to maintain and improve the Council's homes, there is also a focus on environmental improvements and the development of new homes to help address the shortage of affordable housing in the Borough.
- 3.7.6 The detail of the HRA capital programme for 2018/19 and beyond will be refined in line annual updates to the Business plan, Asset management plan, and any changes to government policy and legislation.

### **Capital Strategy**

- 3.7.7 The aim of the Capital Strategy is to provide a clear framework for capital funding and expenditure decisions in the context of the Council's vision, values, objectives and priorities, financial resources and spending plans. The HRA element is closely aligned to the Council's Asset Management Plan and the NPH Delivery Plan. The overall strategy has been refreshed and is part of the General Fund budget setting report for consultation

### **3.8 The Next Steps**

- 3.8.1 The timetable for the 2018/19 budget process requires a meeting of the Council in February 2018, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure, income, and rent proposals that relate to HRA spending.

### **3.9 Consultation**

- 3.9.1 Formal consultation with the public and local businesses will be launched in December 2017 and will continue until the budget is formally adopted in February 2018.
- 3.9.2 Budget reports and equality impact assessments for any budget proposals are published on the internet.

### **3.10 Choices (Options)**

- 3.10.1 Cabinet can agree that the budget proposals for 2018/19 for the HRA and HRA Capital program and indicative budgets for 2019/20 to 2022/23 as summarised in the appendices to this report can be approved for consultation.
- 3.10.2 Cabinet can agree the proposed Rent decrease of 1% for 2018/19 and increases in service charges.
- 3.10.3 Cabinet can choose to make amendments to the proposed budgets and the proposed rent and service charge increases prior to agreeing the budget to consult on, subject to the advice of the Chief Finance Officer.

## **4. Implications (including financial implications)**

### **4.1 Policy**

- 4.1.1 The revenue and capital budgets are set in support of the Council's priorities.
- 4.1.2 The HRA revenue budget is set in the overall context of the HRA 30 year business plan.
- 4.1.3 The Capital Programme for the HRA is set in the context of the Council's Capital Strategy and HRA 30 year Business Plan.

### **4.2 Resources and Risk**

- 4.2.1 HRA budgets may be subject to further changes to reflect the Governments settlement and any Housing White Papers.
- 4.2.2 The HRA 30 Year Business Plan for 2018/2019 is currently being built and will be subject to external review to assess for accuracy and robustness, the result of which could require revisions to the HRA Capital programme. This will be reported on and reflected in the final budget report.
- 4.2.3 The high level risks associated with the draft HRA budget setting for 2018/2019 are shown in the table below:

Risk	Likely	Impact	Blended risk	Remarks/Mitigation	Residual risk
Higher Value Voids Asset Levy is implemented from 2019/20.	High	Significant	RED	The Council has opportunity to lobby Government for change and also prepare for implementation by gearing up processes to facilitate sale of higher value assets to enable payment of the government levy in 2019/20 and future years. The introduction of a 10 year development programme will help towards replacing some stock, going towards protecting the future sustainability of the HRA. Minimum levels of working balances are being reviewed.	High
Right To Buy sales continue to increase.	MED	Significant	MED	Current Government policy is steered towards home ownership. Current rules and regulation surrounding RTB make the purchase of Council houses an appealing option for those tenants who can afford to. Impact of increases in sales will be subject to scenario planning via the HRA Business Plan to measure potential impact.	MED
Welfare reforms impact on arrears.	MED	Significant	MED	NPH's Rent accounting teams processes and procedures performing well managing arrears. Potential impact of higher arrears will be factored in to the assessment of minimum levels of working balances.	MED

### **4.3 Legal**

- 4.3.1 The Council has a legal duty to set a balanced budget each year, bearing in mind its fiduciary duties to the taxpayer, and the HRA is not allowed to go into deficit by law. In exercising these duties the Council has to comply with various legislation and administrative duties.

### **4.4 Equality**

- 4.4.1 The Public Sector Equality Duty (PSED) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out its activities. Failure to comply with this duty would be challengeable in the courts.
- 4.4.2 Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2018.

### **4.5 Consultees (Internal and External)**

- 4.5.1 Internally heads of service and budget managers have been consulted and Management Board has carried out a detailed challenge of the budget with Members.

### **4.6 How the Proposals Deliver Priority Outcomes**

- 4.6.1 Consulting on the draft budget is a key ingredient of effective financial governance, which contributes to the priority of making every pound go further.

### **4.7 Appendices**

The **Appendices** are set out as follows:

- 1 Housing Revenue Account Summary
- 2 Proposed Housing Revenue Account Capital Programme and Financing
- 3 HRA Fees and Charges
- 4 NPH Total Fee

## **5. Background Papers**

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- 5.1 None

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