



SUPPLEMENTARY – REPORTS MARKED ‘TO FOLLOW’

Cabinet

Tuesday, 17 January 2017

The following reports were received too late to be included on the main agenda for this meeting and were marked ‘to follow’. They are now enclosed, as follows:

| Agenda Item Number | Page | Title |
|--------------------|---------|---|
| 6 | 1 - 3 | REPORTS FROM OVERVIEW AND SCRUTINY |
| | | Referral from Overview and Scrutiny Committee following Call-in on 4 January 2017 regarding Heysham Gateway |
| Agenda Item Number | Page | Title |
| 8 | 4 - 22 | BUDGET & POLICY FRAMEWORK UPDATE 2017-21 - GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME |
| | | (Cabinet Member with Special Responsibility Councillor Whitehead) |
| Agenda Item Number | Page | Title |
| 9 | 23 - 44 | BUDGET & POLICY FRAMEWORK UPDATE 2017-21 - HOUSING REVENUE ACCOUNT AND CAPITAL PROGRAMME |
| | | (Cabinet Members with Special Responsibility Councillors Leytham & Whitehead) |

CABINET

**Referral of Call-In: Heysham Gateway
17th January 2017**

Report of the Overview and Scrutiny Committee

| PURPOSE OF REPORT | | | |
|---|--------------------------|------------------|--------------------------|
| To advise Cabinet of the outcome of the call-in of the Cabinet decision in relation to the Heysham Gateway (Cabinet Minute 38) and to request Cabinet to consider the recommendations of the Overview and Scrutiny Committee. | | | |
| Key Decision | <input type="checkbox"/> | Non-Key Decision | <input type="checkbox"/> |
| Referral from Overview and Scrutiny | | | X |
| Date Included in Forthcoming Key Decision Notice | | | N/A. |
| This report is public. | | | |

RECOMMENDATION OF THE OVERVIEW AND SCRUTINY COMMITTEE

That the Overview and Scrutiny Committee asks Cabinet to note:

- (1) Our belief that understanding of Cabinet’s decisions in relation to property development and disposal will be enhanced and the need for calling-in decisions will be reduced if additional information is shared with Overview and Scrutiny Members.

Therefore, when Cabinet is asked to approve the disposal of each parcel of land on Heysham Gateway, such additional information should include presentation of the development appraisals for purchasers.

- (2) Our interpretation of the reference in resolution 3 to “the principles at section 4.11 of the report” is that this is equivalent to “a decision in principle” and that it is therefore not a mandatory decision to follow the section to the letter in every case.

This interpretation is based on information – not spelled out in the original report to Cabinet but - provided to Overview and Scrutiny Members during a site visit to the Heysham Gateway on 3rd January 2017.

- (i) That key larger plots will be sold on long leasehold (rather than as freeholds) to allow both local authorities to retain sufficient control over the site to maintain over a long period the environmental and other standards expected in a quality industrial park.
- (ii) That in line with option B3, smaller plots will be disposed of in ways that will accommodate the differing needs of smaller and

start-up businesses that may require 25 year leases or licences to occupy developed sites for short periods subject to costs of remediation of the land not inhibiting such development.

(iii) That Cabinet will receive an accurate acreage of its landholding in the area, both total and developable.

(3) That opportunities may arise for sharing of heating or power supplies within an integrated business/industrial park and that nothing in Cabinet's December 2016 decision would prevent the City Council from developing units within the Heysham Gateway for short term occupational lease should it decide to emphasise obtaining future revenue from the site, rather than using its landholdings to generate capital receipts as is the current focus of the County Council.

1.0 Introduction

1.1 At its meeting on 4th January 2017 the Overview and Scrutiny Committee considered the call-in of the Cabinet decision on the Heysham Gateway (Cabinet Minute 38). The original report and appendices are attached for information, and Cabinet had agreed:-

(1) That the development principles for Heysham Gateway (in line with Option A2 and as set out in paragraph 3.6 of the report) be approved as the main guide for future Council decisions affecting the area.

(2) That Officers be authorised to incorporate the agreed principles into a joint marketing prospectus for Heysham Gateway and to work with the other main stakeholders in promoting the area for high quality sustainable regeneration.

(3) That approval be given to dispose of City Council land at Heysham Gateway (in line with option B2 and the principles at section 4.11 of the report) using the preliminary ground and ecology survey work to assess value and in support of this:

a. the City Council land shown edged in red on the plan attached to the report (Appendix A) be declared surplus to requirements;

b. Cabinet authorises Officers to negotiate with interested parties and report back to Cabinet with the results of the negotiations on any parcel of relevant land owned by the City Council to obtain final approval for any disposal.

1.2 The call-in was requested by Councillors Caroline Jackson and Phillippa Williamson from the Overview and Scrutiny Committee and Councillors Roger Mace, Tim Hamilton-Cox and Dave Brookes.

1.3 Councillor Janice Hanson (Cabinet Member with responsibility for Economic Regeneration and Planning) and Councillor James Leyshon (Cabinet Member with responsibility for Property Services) attended the meeting to outline the reasons for the decision, supported by the Chief Officers (Regeneration and Planning) and (Resources).

2.0 Proposal Details

2.1 Having reviewed Cabinet’s resolution, the Committee was of the view that it would like Cabinet to note several points, set out in the recommendations of this report.

3.0 Conclusion

3.1 The recommendation of the Overview and Scrutiny Committee would allow Cabinet to note several points raised by the Committee at the call-in meeting.

| | |
|---|--|
| RELATIONSHIP TO POLICY FRAMEWORK Comments as per original report. | |
| CONCLUSION OF IMPACT ASSESSMENT (including Health and Safety, Equality and Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) Comments as per original report. | |
| LEGAL IMPLICATIONS Comments as per original report. | |
| FINANCIAL IMPLICATIONS Comments as per original report. | |
| OTHER RESOURCE IMPLICATIONS Comments as per original report. | |
| SECTION 151 OFFICER’S COMMENTS Comments as per original report. | |
| MONITORING OFFICER’S COMMENTS Comments as per original report. | |
| BACKGROUND PAPERS As per original report. | Contact Officer: Jenny Kay Telephone: 01524 582065 E-mail: jkay@lancaster.gov.uk |

CABINET

**Budget and Policy Framework Update 2017 to 2021 –
General Fund Revenue Budget and Capital Programme
17 January 2017**

Report of Chief Officer (Resources)

| | | | |
|---|------------------|-------------------------|-----------------|
| PURPOSE OF REPORT | | | |
| To provide information on the latest budget position for current and future years, to inform Cabinet’s budget and policy framework proposals and to allow it to make final recommendations to Council regarding council tax levels for 2017/18. | | | |
| Key Decision | X | Non-Key Decision | Referral |
| Date of notice of forthcoming key decision | 19 December 2016 | | |
| This report is public. | | | |

OFFICER RECOMMENDATIONS:

1. That the 2016/17 Revised Budget be referred on to Budget Council for approval, with the net overspending of £39K being met by reducing the in-year contribution to Balances from £56K to £17K.
2. That Cabinet makes recommendations to Council regarding City Council tax increases for 2017/18 and targets for future years, subject to local referendum thresholds.
3. That Cabinet makes recommendations regarding its initial budget proposals for the period from 2017/18 onwards, in line with its budget strategy.
4. That the resulting budget position for 2017/18 onwards, together with Cabinet’s detailed proposals, be referred on to Council for initial consideration as well as being presented for scrutiny by Budget and Performance Panel, in order that any feedback can be provided to Cabinet at its February meeting.

1 INTRODUCTION AND STRATEGIC CONTEXT

- 1.1 In strategic terms, the main challenge of budget setting is to match priorities and corporate planning objectives against what is affordable financially. Local Government continues to face major funding reductions year on year, meaning that it needs to innovate and modernise, if it is to minimise the impact on future service provision for communities.

- 1.2 This report covers the financial implications of that work to date and the recent announcement of the provisional Local Government Finance Settlement, and gives an update on other key elements of budget setting in order that Cabinet can develop further its budget proposals.

2 GENERAL FUND BUDGET: SUMMARY POSITION

- 2.1 The table below pulls together the latest draft budget position, allowing for various base budget changes and other matters as outlined in sections 3 to 6 of this report. Figures for future years are still subject to change. A more comprehensive summary is included at **Appendix A**.

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Net Spending / draft budget forecasts as reported in December: | 16,563 | 14,873 | 16,621 | 17,101 | 17,819 |
| Further Base Budget Changes: | | | | | |
| New Homes Bonus Grant (Increases) or Reductions | - | 84 | (200) | (192) | 276 |
| Housing Benefit Administration Grant Reductions | - | 77 | 75 | 73 | 104 |
| Net (Savings)/ Increases in Pension Costs (Triennial Review) | | (59) | (51) | (50) | 295 |
| Capital Financing Savings | | (65) | (29) | (21) | (22) |
| Investment Interest Increases | | (90) | (66) | (253) | (313) |
| Reduction in Contribution to Balances (down from £56K to £29K) | (39) | - | - | - | |
| Other Net Changes | (1) | 47 | (51) | (67) | (90) |
| Updated Draft Budget Forecasts (Prior to any savings or growth proposals) | 16,523 | 14,867 | 16,299 | 16,591 | 18,069 |
| Resulting in: | | | | | |
| Estimated Budget (Surplus) or Deficit/Savings Requirement | - | (991) | 598 | 1,098 | 2,314 |

- 2.2 A number of key points are highlighted:

- The projections take account of the latest information or assumptions on various Government funding streams, such as Housing Benefit administration grant and New Homes Bonus. The main issues arising are expanded on later in section 3 of this report. From around 2020 onwards, changes to local authority responsibilities and various specific funding streams are expected as part of the overhaul of the local Government Finance system, but the development of options

is still in its early stages and therefore it is not clear what the potential impact might be, or when any changes might be implemented by Government.

- The forecasts take account of the recent triennial review of the Pension Fund. Through this, the contribution rates for the next three years are set; the Fund has very recently issued its Future Funding Strategy for consultation. Whilst future service contribution rates are expected to increase from 13% of salary costs to 15.5%, deficit contributions can reduce as the recovery period can be rolled forward to remain at 19 years, rather than it reducing to 16. In addition, by paying contributions up-front rather than spreading them over the next three years, the Council can make budget savings. Beyond 2019/20, it is assumed that the future service rate will remain at 15.5% and the deficit recovery period will again be rolled forward as 19 years, but that the Council's cash flow will not support up-front payment. There are clearly risks as longer term pensions funding strategy cannot be accurately predicted. The affordability of pensions continues to be contentious, with more reforms expected at some point in the future. In summary, the budgeted General Fund contributions are as follows.

| | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 |
|-------------------------------------|------------------|------------------|------------------|------------------|
| Deficit Recovery Contribution | 788 | 788 | 788 | 900 |
| Future Service Contributions | 1,656 | 1,673 | 1,692 | 1,965 |
| Total Budgeted Contributions | 2,444 | 2,461 | 2,480 | 2,865 |

- Investment Interest and capital financing costs have been reviewed, drawing on the latest advice on future interest rate expectations, cash flow and also on the latest review of the capital programme. The budget assumes that interest rates will start to increase during 2019/20, with the average interest rate being around 0.75% by 2020/21. More information on expectations will be presented to Cabinet in February, as part of the 2017/18 treasury management strategy.
- Various other base budget adjustments have been made, to reflect the estimated costs and income for current operations and policies.
- In the current year, the contribution to Balances has been reduced by £39K (down from £56K to £17K) as a result of the forecast minor net overspending. All significant variances within that figure have been reported previously. It is pleasing that overall, the revised budget is now broadly in line with original expectations.
- Finally, as yet no assumptions have been made regarding Cabinet's proposals for balancing the budget, or for the review of provisions and reserves more generally.

2.3 Cabinet is requested to refer the resulting 2016/17 Revised Budget to Budget Council for approval. The net overspending of £39K represents only 0.2% of the original net revenue budget. In recent years, the Council has typically experienced net underspending overall and so this year's experience goes against that trend.

2.4 Looking forward, in terms of council tax the budget forecasts assume a £5 year on year increase in line with current approved strategy. Options for council tax are set out in section 6 of this report.

- 2.5 The draft budget for 2017/18 currently stands at £14.867M, which gives one-off headroom estimated at £991K for helping to support Cabinet's budget proposals. That said, it is already known that significant cost pressures will come through if the Council is to take forward various known plans and commitments, such as Canal Corridor and the outstanding pay and grading review, aside from Cabinet's budget proposals more generally. Such pressures will involve upfront, one-off costs and for this reason, it is expected that the budget surplus currently forecast will be more than offset by the need to bolster specific earmarked reserves.
- 2.6 Thereafter, financial forecasts deteriorate. A savings requirement of £598K is forecast for 2018/19, rising to £2.314M by 2020/21.
- 2.7 To help tackle that outlook, there is a four-year focus for this budget strategy, phased in two parts; it is not simply about balancing next year. Despite the continuing progress in identifying savings and refining budget projections, a savings target well in excess of £2M, coupled with the huge uncertainties around future local government finance reforms, still represents a massive challenge for the authority.
- 2.8 As was reported last year, budget deficits of that magnitude will not be addressed simply through efficiencies, income generation and trimming of services. Fundamental changes and very difficult decisions are needed, focusing on what really is of high priority - and what isn't.
- 2.9 Whilst the Council does currently have a number of significant reserves and Balances available to it, these can only help during the period of transition and they do not provide a medium term or permanent solution. The Balances position is outlined later in section 4 of this report.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 General Matters

- 3.1.1 Further to the Chancellor's Autumn Statement published on 23 November, the provisional Local Government Finance Settlement was announced on 15 December 2016 for consultation until 13 January. Detailed information and briefings are available on the various websites (www.gov.uk or www.lga.gov.uk). This section provides an overview of Government funding matters for Members' information.
- 3.1.2 As expected, the provisional Settlement sets out figures for Revenue Support Grant (RSG) and baseline Business Rates to 2019/20, in line with the multi-year Settlement offer recently confirmed by Government. That helps to give some certainty going forward, at least in the medium term. Nonetheless, the significant ongoing funding reductions built in should not be overlooked.
- 3.1.3 To recap, the headline Settlement figures to 2019/20 are provided overleaf, together with the assumptions made for 2020/21. It is not yet clear in what year Government is intending on introducing its major reforms to local government finance, including 100% business rates retention. Development of proposals is underway but as reported previously, it is a massively complex task, especially when factoring in the review of local government responsibilities and needs/funding redistribution. Government's aim is for the reforms to be 'fiscally neutral' with implementation 'by the end of this Parliament'. This could mean 2019/20 or 2020/21, but the risk of slippage should be acknowledged given Government's work programme for the period - including Brexit.

| Funding Forecasts | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Provisional Settlement: | | | | |
| Revenue Support Grant (RSG) | 1,605 | 941 | 200 | 0 |
| Business Rates (Baseline Funding) | 5,065 | 5,223 | 5,400 | 5,510 |
| Settlement Funding Assessment | 6,670 | 6,164 | 5,600 | 5,510 |
| Year on Year Reductions in SFA (per Settlement): | £550K 7.6% | £506K 7.6% | £564K 9.1% | £90K 1.6% |
| Reduction in annual funding between 2016/17 and 2020/21: £1.710M or 23.7% | | | | |

- 3.1.4 It should be noted that the Council's budget continues to be based on business rate income at safety net, rather than the higher baseline figure shown above. This is predominantly because of the impact of recent successful appeals, notably for the power stations.
- 3.1.5 On the upside however, the budget also provides for extra retained rates income in relation to various renewable energy schemes. The estimates are currently the same as those reported in December.
- 3.1.6 Any further changes to business rate income forecasts will be reported in February, following the completion of statutory estimates and returns to Government due at the end of this month. In particular Government has made changes to the system of tariffs and top-ups, to help cancel out the impact of the 2017 Revaluation. This means that in theory there should be little or no 'bottom line' general impact from this major initiative, but this can only be confirmed once the relevant detailed calculations and Government returns have been completed.
- 3.1.7 Also there could be some further implications (either favourable or adverse) arising in connection with renewable energy and/or rating appeals. In addition, there is now the potential for claims arising in respect of the rating liability for some strands of the National Health Service (NHS). Business rates continues to become more and more complex, and of greater significance, in the run up to 100% rates retention.

3.2 New Homes Bonus

- 3.2.1 The most significant changes arising from the Settlement relate to New Homes Bonus. Cabinet may recall that consultation on the future of the scheme was undertaken early in 2016 but there had been no response issued by Government prior to the Settlement announcement.
- 3.2.2 Whilst the NHB scheme is set to continue until around 2020/21 (at least), funding allocations will reduce in future, as a result of Government diverting resources into adult social care. To demonstrate this, in the current year £1.485BN of funding is being allocated nationally through the scheme, but by 2020/21 that amount is forecast to reduce to £900M.

3.2.3 Alongside the overall quantum of NHB funding reducing, the payment methodology is also changing as follows:

- A national baseline for growth in housing stock has been introduced (at 0.4% for 2017/18, with Government having the option to adjust this in future). For growth below this level, authorities will not now receive NHB.
- The number of years for which ‘legacy’ payments will be made is to reduce from 6 years currently, to 5 years for 2017/18 and 4 years from 2018/19.

3.2.4 On top of these changes, from 2018/19 Government “will consider withholding NHB payments from local authorities that are not planning effectively, by making positive decisions on planning applications and delivering housing growth. To encourage more effective local planning [Government] will also consider withholding payments for homes that are built following an appeal”. In the meantime, Government has confirmed that it will not introduce measures “to withhold payments for areas without a local plan in 2017/18”.

3.2.5 All in all, there is much speculation about the future of NHB, with a general feeling within the local government finance profession that the scheme will cease at some point, most likely around 2020 or whenever the wider finance reforms are implemented. Also, huge demand and cost pressures still exist in functions such as adult social care and children’s services, with the chance that more funds could be diverted away into these areas. Whilst this is speculation, inevitably the future forecasting of NHB involves risk.

3.2.6 More information is being sought to inform modelling, but at present the Council’s budget projections are based predominantly on the provisional Settlement, with the assumption that NHB awards for housing growth up to 2019/20 will continue to flow through to the Council in some form or other. Note that this improves NHB expectations from those communicated to all councillors immediately after the Settlement.

| | NHB Estimate per MTFS £’000 | NHB Updated Forecasts £’000 | Difference £’000 |
|----------------|--|--|-----------------------------|
| 2017/18 | 1,938 | 1,854 | 84 |
| 2018/19 | 1,218 | 1,418 | (200) |
| 2019/20 | 1,168 | 1,360 | (192) |
| 2020/21 | n/a | 824 | n/a |

3.2.7 For February the Council’s core NHB planning assumptions may be updated again, if better information becomes available.

3.3 Other Government Funding Announcements

Housing Benefit and Council Tax Support Administration Grant

The draft budget takes account of the most recent grant notifications issued for benefits administration, together with assumptions that they will continue to reduce year by year by around 6% per year. In part this is linked to the implementation of Universal Credit (UC) in this district and there is now a downwards trend in caseload, as new working-age claimants move to UC. That said, there are also new work demands

being created during the transitional period and the Council still has its relatively new role of providing personal budgeting support to UC claimants, with specific funding for this being provided by Government. Overall the funding changes currently have a negative impact on the budget, however, and during 2017/18 the need to review staffing levels will continue, to ensure they remain appropriate for changing workloads.

Bailrigg Garden Village

Following on from the Council’s successful expression of interest in response to the Government’s Garden Villages, Towns and Cities prospectus, Ministers have announced that the City Council is due to receive funding in the region of £200K to help enable delivery, as well as professional and technical support from the Homes and Communities Agency. Once more information has been received, a Cabinet report will be presented regarding the governance for the project and any associated matters. At present, the funding is not reflected within the draft budget.

Community Housing Fund

The Council has also just received notification that it is due to receive almost £708K of the £60M Community Housing Fund for 2016/17, announced by Government as part of its 2016 budget. It appears that there may be more funds available in next year too. The funds have been allocated to authorities proportionate to the number of holiday homes in their local area, taking account of the affordability of housing to local people. The aim of the Fund is to “enable local community groups deliver affordable housing units of mixed tenure on sites which are likely to be of little interest to mainstream housebuilders and will thereby contribute to the overall national effort to boost housing supply.” The Council did not bid for this funding and it will need some time to explore Government guidance to determine options for how best the funds might be used. Again, a Cabinet report will be produced in due course and the funding is not yet reflected in budget.

4 PROVISIONS AND RESERVES (INCLUDING UNALLOCATED BALANCES)

4.1 Provisions and reserves (as set out at **Appendix B**) help the Council to deliver against its corporate priorities and manage the many financial risks it faces. A summary of these funds is shown below.

| | 31 March 16 £'000 | Net Movements £000's | 31 March 17 £'000 | Net Movements £000's | 31 March 18 £'000 |
|-----------------------|------------------------------|-------------------------------------|------------------------------|-------------------------------------|------------------------------|
| General Fund Balances | 4,459 | +17 | 4,476 | +165 | 4,641 |
| Earmarked Reserves | 6,406 | (1,108) | 5,298 | (318) | 4,980 |
| TOTAL | 10,865 | (1,091) | 9,774 | (153) | 9,621 |

4.2 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances. This will be formalised in February, once full budget proposals are known. This will allow the s151 Officer to consider fully whether there are any major shifts in financial risk attached.

4.3 In terms of the budget position to date, key points are as follows.

4.3.1 General Fund Balances

After allowing for this year's forecast net overspending, balances would amount to £4.476M by 31 March 2016. If the existing minimum balance of £1.5M remained unchanged and the current year's outturn is as expected, surplus balances in the region of £3M would be available to support future years' budgets and provide capacity to help take the organisation forward.

These matters will be explored further in the coming weeks. As a recap and drawing on the Council's existing Medium Term Financial Strategy (MTFS), in broad terms the working principle is that surplus Balances would be used to help manage the risks, lead-in times and up-front investment costs associated with implementing savings measures.

4.3.2 Earmarked Reserves

Various changes have been made to the transfers to and from these reserves in line with their current authorised use and as such, they are budget neutral. More substantial changes may be made in February. In particular, the Authority continues to hold substantial balances in the Invest to Save (£1.8M) and Restructuring (£0.5M). Advice and the adequacy and use of such reserves will also be influenced by Cabinet's budget proposals.

5 GENERAL FUND CAPITAL PROGRAMME

5.1 Since December Cabinet, there have only been a few changes made to the overall capital programme. The resulting draft capital position is summarised as follows and a more detailed statement is included at **Appendix C**, for Cabinet's consideration.

| | Gross Programme £'000 | Change in Underlying Borrowing Need: CFR £'000 |
|---|--------------------------|---|
| Original 4-Year Programme (2016/17 to 2019/20) | 36,939 | +17,660 |
| Changes reported to Cabinet 06 December | +2,694 | +1,304 |
| Further Changes: | | |
| ICT infrastructure – additional cost of Firewall | +32 | - |
| Luneside East – legal fees | +8 | - |
| Vehicle Renewals | +15 | - |
| Increase in estimated funding from capital receipts | - | (500) |
| Total Changes | 2,749 | +804 |
| Resulting 5-Year Draft Programme (to 2020/21) | 39,688 | +18,464 |

- 5.2 Capital receipts expectations have been provisionally increased, reflecting the recent decisions of Cabinet on matters such as Heysham Gateway, ahead of formal negotiations and more detailed assessment of value.
- 5.3 The profiling of the draft programme has also been adjusted to reflect more up to date assessments of when spend is expected to be incurred. This, combined with increased capital receipts expectations, has result in capital financing costs reducing, as highlighted earlier in the revenue budget.
- 5.4 In due course there may other changes to consider with regard to the capital programme, linked to the consideration and development of Cabinet's budget proposals.

6 LOCAL TAXATION

6.1 Collection Fund Position

- 6.1.1 The Collection Fund is the account into which all council tax and business rate income is payable, and from which precepts and other relevant payments are made to the County, Police, Fire and the City Council's own General Fund, as well as to Government for its share of business rates.
- 6.1.2 Legislation now requires that separate estimates of any surpluses or deficits on the Collection Fund are made each year for council tax (15 January) and business rates (by 31 January).
- 6.1.3 In respect of council tax, the review of the Collection Fund's financial position is still expecting the Fund to be broadly in balance and if confirmed, this would mean that there is no surplus or deficit to be declared.
- 6.1.4 It is well documented that for business rates, the calculation of any surplus or deficit is more complicated primarily because of the impact of appeals. The 2017 Revaluation adds further complexities, and opens up new risks. The final position will be determined in line with the 31 January deadline for reporting to Cabinet in February.

6.2 Council Tax: Options

- 6.2.1 Under the Localism Act, if an authority's council tax increase exceeds the principles set by the Secretary of State, then it must hold a local referendum.
- 6.2.2 Government has announced as part of the provisional Settlement that a general threshold of 2% will still apply for most local authorities. Furthermore, those authorities that have adult social care responsibilities may increase their council tax rates by up to a further 6% in total over the three-year period to 2019/20 (with the flexibility to front-load this, by increasing rates by 3% in each of the next two years).
- 6.2.3 For shire districts (such as the City Council) and Police and Crime Commissioners whose council tax currently falls within the lowest quartile, they may continue to increase their Band D tax rates by £5 – slightly more than the standard threshold. This is in line with the Council's existing financial strategy.

- 6.2.4 For 2017/18 an increase of £5 would increase the City Council's tax rate from £208.97 to £213.97 for a Band D property. The increase amounts to around 2.4% per year, or put another way, 10 pence per week. The Council has very recently decided to retain its existing Localised Council Tax Support Scheme, which provides up to full support to cover any increase, and this helps mitigate the impact on low income households.
- 6.2.5 Government had also consulted on introducing local referendum thresholds for larger town councils and parishes (with precepts of over £0.5M). It has deferred its plans, but in any event currently the district's local councils are nowhere near as large.
- 6.2.6 Drawing on the relevant points above, two basic options for council tax are presented, to demonstrate the impact of tax decisions. A 1% change in council tax would generally have around an £84K impact on the budget.

| Council Tax Basic Options | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|------------------|----------------|----------------|----------------|
| Option 1: Retain existing strategy: maintain a steady increase of £5 per year to help protect service delivery, subject to confirmation of future referendum thresholds. | | | | |
| <i>Resulting Band D Tax Rate</i> | £213.97 | £218.97 | £223.97 | £228.97 |
| <i>% Increase</i> | 2.4% | 2.3% | 2.3% | 2.2% |
| Net Savings Requirement or (Surplus) | (£0.991M) | £0.598M | £1.098M | £2.314M |
| Option 2: Change future strategy For example: freeze council tax year on year, increasing the pressure to make savings on service delivery | | | | |
| <i>Resulting Band D Tax Rate</i> | £208.97 | £208.97 | £208.97 | £208.97 |
| Net Savings Requirement or (Surplus) | (£0.789M) | £1.007M | £1.721M | £3.156M |
| Net Difference between the two options | £202K | £409K | £623K | £842K |
| Total Difference over the 4- year period | | | | £2.076M |

- 6.2.7 The table shows that a council tax freeze would lose income of just over £200K in 2017/18, and this loss would continue to grow by a similar amount each year thereafter, for as long as rates continued to be frozen. By 2020/21, annual lost income would have increased to an estimated £842K. Across the whole four-year period, lost income would total over £2M.
- 6.2.8 In reality there are numerous other targets that may be considered for the period, but for simplicity the options presented just include the current MTFs assumptions of an annual £5 increase, and the impact of freezing council tax year on year.
- 6.2.9 Other options can be modelled, and Cabinet is requested to indicate in advance of the meeting if it requires this to be done.

6.2.10 Cabinet is now requested to decide what level of council tax increase to recommend for next year and what targets to propose for 2017/18 onwards. In doing so, Cabinet is advised to consider:

- the council tax threshold, above which a local referendum must be held;
- subsequent years' general Government funding reductions and the need to make huge savings in future;
- financial sustainability. In short, it is not possible to keep tax increases lower than planned, without increasing the budget shortfalls in 2018/19 and beyond. More savings cannot be delivered without having greater adverse impact on services and communities.

6.2.11 Cabinet is reminded that its council tax recommendation for 2017/18 will be final (subject to Government's final confirmation of the threshold), for subsequent consideration by Council. Targets for 2018/19 and beyond will be reviewed in future years, in accordance with the Medium Term Financial Strategy (MTFS).

7 **BALANCING THE BUDGET: CABINET'S BUDGET PROPOSALS**

7.1 Alongside council tax, Cabinet is also requested to make recommendations regarding its supporting budget proposals for initial consideration by Council, in line with the two-phased budget approach approved at its meeting back in December. As part of that, Officers were tasked by Cabinet Members to identify savings and potential options and they have been presented informally to the Leader's Briefings.

7.2 Cabinet's budget proposals should seek to put in place measures balance the medium term budget as far as possible, but there will be another opportunity at the February meeting to make some further changes. Importantly, the Council has a statutory obligation to set a balanced budget for 2017/18.

7.3 It is also important to appreciate that any decisions taken during this budget on recurring items will have a bearing in future years, and so emphasis should be on securing recurring annual savings, rather than one-off measures. This is reflected in the current financial strategy, as is the Council's position on growth, which is quoted below. Cabinet is advised to take account of this in deciding on whether to consider any growth requests.

Growth (Redirection of Resources)

Growth in a particular area will only be considered if it meets either of the following conditions:

- *it is needed to meet statutory service standards; or*
- *it is essential to meet a key objective within Corporate Plan proposals, for which there are no alternative providers or sources of funding available **and** sufficient progress has been made in adopting plans for addressing the medium term budget deficit, so as to consider any growth proposal affordable and sustainable in the medium to long term. This applies particularly to any recurring or high cost one-off growth proposals.*

- 7.4 Linked to this, the s151 Officer advises Cabinet (as she will advise Council) to work within existing financial strategy constraints and the approved budget strategy, to avoid adding unnecessary extra pressure onto the ongoing budget. There will then be time during next year to have a structured approach to determining what Cabinet's and the Council's) affordable proposed priorities for the budget are, and how resources should be allocated and/or redirected to maximise impact.
- 7.5 Separately, as touched on earlier there are a small number of items where the Council already has a specific commitment to consider various issues (good examples being Job Evaluation and Canal Corridor, and more recently Community Pools). Cabinet is advised to take into account such matters when developing its budget proposals.
- 7.6 Once Cabinet's budget proposals are determined they will be reflected in the draft budget framework, for Council's due consideration. Similarly the s151 Officer's formal advice will be finalised.

8 DETAILS OF CONSULTATION

- 8.1 Cabinet's budget proposals are due to be considered by Budget and Performance Panel at its meeting on 24 January, prior to February Council.

9 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 9.1 Options are dependent very much on Members' views on spending priorities balanced against council tax levels. As such, a full options analysis could only be undertaken once any alternative proposals are known and it should be noted that Officers may require more time to do this. Outline options are highlighted below, however.
- Regarding council tax, two basic options are set out at section 6 of the report. Other alternative options can be modelled at Cabinet's request.
 - With regard to including savings and growth options to produce a budget in line with preferred council tax levels, any proposals put forward by Cabinet should be considered affordable, alongside the development of priorities. Emphasis should be very much on the medium to longer-term position.
- 9.2 Under the Constitution, Cabinet is required to put forward budget proposals for Council's consideration, in time for them to be referred back as appropriate. This is why recommendations are required to feed into the Council meeting in early February, prior to the actual Budget Council in March.
- 9.3 The two-phased budget strategy adopted by Cabinet is considered to be an effective way of managing the main risks of budget affordability and financial sustainability, by allowing more time for prioritisation and planning.

10 OFFICER PREFERRED OPTION AND COMMENTS

- 10.1 Generally Officer preferred options are reflected in the recommendations, with the exception of council tax.

- 10.2 In view of the level of savings still needed in future years, the ongoing impact that council tax freezes have, the Council’s current financial strategy and the fact that the Council is not yet clear about how and when it will achieve a financially sustainable budget, the Officer preferred option for council tax is to retain the existing £5 year on year increase, subject to confirmation of local referendum thresholds. Although a budget surplus is currently forecast in next year, one-off spending pressures could easily swallow that up.
- 10.3 The Officer preferred option would change only if the Council fundamentally reduces its ambitions regarding service delivery, evidenced through the adoption of a clear statement and strategy for doing so.

11 CONCLUSION AND IMPLICATIONS FOR THE FUTURE

- 11.1 The Council’s financial challenges continue and in order to protect its future viability, it has no real choice other than to focus on balancing its budget for the medium term. The two-phased budget strategy adopted is in support of this aim, as is the Council’s wider financial strategy. The approach also allows the Council to respond to new information and developments and this is crucial, given the forthcoming fundamental finance reforms underway and the huge inherent uncertainties that currently exist.

| | |
|--|---|
| <p>RELATIONSHIP TO POLICY FRAMEWORK The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.</p> | |
| <p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) See <i>Appendix D</i> for equality impact assessment. There are no other implications directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.</p> | |
| <p>FINANCIAL AND OTHER RESOURCE IMPLICATIONS As set out in the report.</p> | |
| <p>SECTION 151 OFFICER’S COMMENTS The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly. Her advice on all relevant matters will be expanded upon once Cabinet’s budget proposals are known.</p> | |
| <p>LEGAL IMPLICATIONS Legal Services have been consulted and have made no comments.</p> | |
| <p>MONITORING OFFICER’S COMMENTS The Monitoring Officer has been consulted and has no further comments.</p> | |
| <p>BACKGROUND PAPERS None. Any public background information is already available through previous reports or the Government website.</p> | <p>Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail: nmuschamp@lancaster.gov.uk</p> |

General Fund Revenue Budget 2016/17 to 2020/21
For Consideration by Cabinet 17 January 2017

| | | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|--|---------------|---------------|---------------|---------------|---------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| BUDGET PROJECTIONS | Original Revenue Budget / Forecast | 16,258 | 15,180 | 17,221 | 17,427 | |
| | <i>Allowing for budgeted contribution to Balances</i> | <i>56</i> | <i>165</i> | | | |
| | Changes to Budget Projections - <i>Cabinet 06 December</i> | 305 | (307) | (600) | (326) | 17,819 |
| | Base Budget Changes after Cabinet 06 December | | | | | |
| | New Homes Bonus | - | 84 | (200) | (192) | 276 |
| | Net Benefit Admin Grant reduction | - | 77 | 75 | 73 | 104 |
| | Pensions | - | (71) | (70) | (68) | 295 |
| | Loss of interest re Pensions | - | 12 | 19 | 18 | 0 |
| | Capital Financing - MRP changes | | (65) | (29) | (21) | (22) |
| | Investment Interest | - | (90) | (66) | (253) | (313) |
| | Other net changes across all Services | (1) | 47 | (51) | (67) | (90) |
| | Reduced Contribution to Balances | (39) | - | - | - | - |
| | General Fund Revenue Budget | 16,523 | 14,867 | 16,299 | 16,591 | 18,069 |
| | Settlement Funding Assessment: | | | | | |
| | Revenue Support Grant | (2,652) | (1,605) | (941) | (200) | 0 |
| Retained Business Rates | (4,568) | (5,065) | (5,223) | (5,400) | (5,510) | |
| Business Rates - Safety Net Adjustment | 0 | 401 | 413 | 427 | 441 | |
| Renewable Energy Income | (947) | (966) | (994) | (1,025) | (1,046) | |
| Estimated Collection Fund Surplus | (60) | 0 | 0 | 0 | 0 | |
| Council Tax Requirement | 8,296 | 7,632 | 9,554 | 10,393 | 11,954 | |
| Target Council Tax Requirement | 8,296 | 8,623 | 8,956 | 9,295 | 9,640 | |
| Latest Budget Deficit / (Surplus) | 0 | (991) | 598 | 1,098 | 2,314 | |

| General Fund Unallocated Balance | | £M |
|---|---|----------------|
| BALANCES | Original Projected Balance as at 31 March 2016 | (4.128) |
| | Budgeted Contribution | (0.056) |
| | 2015/16 Actual Underspend | (0.331) |
| | 2016/17 Forecast Overspend | 0.039 |
| | Projected Balances as at 31 March 2017 | (4.476) |
| | Budgeted Contribution | (0.165) |
| | Projected Balances as at 31 March 2018 | (4.641) |
| | Less Agreed Minimum Level of Balances | 1.500 |
| | Available Balances | (3.141) |

RESERVES AND PROVISIONS STATEMENT (INCLUDING BALANCES)

For Consideration by Cabinet 17 January 2017

| GENERAL FUND | 2016/17 | | | 2017/18 | | | 2018/19 | | | 2019/20 | | | 2020/21 | | | | | | | | |
|---|------------------------|--------------------|------------------|------------------------|--------------------|------------------|------------------------|----------------|--------------------|------------------------|----------------|---------------|------------------------|------------------|----------------|------------------------|--------------------|------------------|---------------|---------------|--------------------|
| | Balance as at 31/03/16 | Contributions | | Balance as at 31/03/17 | Contributions | | Balance as at 31/03/18 | Contributions | | Balance as at 31/03/19 | Contributions | | Balance as at 31/03/20 | Contributions | | Balance as at 31/03/21 | | | | | |
| | £ | From Revenue £ | To Capital £ | To Revenue £ | £ | From Revenue £ | To Capital £ | To Revenue £ | £ | From Revenue £ | To Capital £ | To Revenue £ | £ | From Revenue £ | To Capital £ | To Revenue £ | £ | | | | |
| General Fund Balance | (4,459,000) | (17,400) | | (4,476,400) | (164,900) | | | (4,641,300) | | | | (4,641,300) | | | | | (4,641,300) | | | | |
| Earmarked Reserves: | | | | | | | | | | | | | | | | | | | | | |
| Apprenticeships | (39,700) | | | 39,700 | | | | | | | | | | | | | | | | | |
| Business Rates Retention | (381,500) | | | (381,500) | | | | (381,500) | | | | (381,500) | | | | | (381,500) | | | | |
| Capital Support | (526,500) | | 8,000 | 248,800 | (269,700) | | | (269,700) | | | | (269,700) | | | | | (269,700) | | | | |
| Corporate Property | (328,100) | (54,100) | 59,000 | 17,700 | (305,500) | | 100,000 | (205,500) | | | | (205,500) | | | | | (205,500) | | | | |
| Elections | | (40,000) | | | (40,000) | (40,000) | | (80,000) | (40,000) | | | (120,000) | (40,000) | 160,000 | | (40,000) | (40,000) | | | | |
| Highways | (219,600) | | | 219,600 | | | | | | | | | | | | | | | | | |
| Homelessness Support | (76,500) | | | (76,500) | (3,100) | | | (79,600) | (9,800) | | | (89,400) | (10,100) | | (99,500) | (10,100) | (109,600) | | | | |
| Invest to Save | (1,469,600) | (350,700) | 6,000 | | (1,814,300) | | | (1,814,300) | | | | (1,814,300) | | | | | (1,814,300) | | | | |
| Local Plan | (71,600) | (40,100) | | | (111,700) | | 87,400 | (24,300) | | | | (24,300) | | | | | (24,300) | | | | |
| Markets | (54,100) | | | 54,100 | | | | | | | | | | | | | | | | | |
| Morecambe Area Action Plan (MAAP) | (114,500) | | 80,900 | 28,600 | (5,000) | | | (5,000) | | | | (5,000) | | | | | (5,000) | | | | |
| Renewals (all services) | (812,400) | (402,800) | 420,000 | 142,600 | (652,600) | (479,300) | 240,000 | 33,700 | (858,200) | (479,300) | 382,000 | 46,400 | (909,100) | (479,300) | 114,000 | 102,900 | (1,171,500) | | | | |
| Restructuring / Budget Support | (602,900) | (333,600) | | 357,800 | (578,700) | | | 48,500 | (530,200) | | | | (530,200) | | | | (530,200) | | | | |
| S106 Commuted Sums - Open Spaces | (104,000) | | | 22,500 | (81,500) | | | 20,900 | (60,600) | | | 16,600 | (44,000) | | 15,600 | | (28,400) | | | | |
| S106 Commuted Sums - Affordable Housing | (261,800) | | 90,000 | | (171,800) | | | | (171,800) | | | | (171,800) | | | | (171,800) | | | | |
| S106 Commuted Sums - Highways, crossing & cycle paths | (844,100) | (79,600) | 413,100 | 1,500 | (509,100) | (50,000) | 352,500 | 6,800 | (199,800) | (75,000) | 75,000 | 6,700 | (193,100) | (75,000) | 75,000 | 4,400 | (188,700) | | | | |
| Welfare Reforms | (396,300) | (23,500) | | 190,000 | (229,800) | | | | (229,800) | | | | (229,800) | | | | (229,800) | | | | |
| Youth Games | (32,900) | | | 32,900 | | (41,800) | | 41,800 | | | | | | | | | | | | | |
| Reserves Held in Perpetuity: | | | | | | | | | | | | | | | | | | | | | |
| Graves Maintenance | (22,200) | | | (22,200) | | | | (22,200) | | | | (22,200) | | | | | (22,200) | | | | |
| Marsh Capital | (47,700) | | | (47,700) | | | | (47,700) | | | | (47,700) | | | | | (47,700) | | | | |
| Total Earmarked Reserves | (6,406,000) | (1,324,400) | 1,077,000 | 1,355,800 | (5,297,600) | (614,200) | 592,500 | 339,100 | (4,980,200) | (604,100) | 457,000 | 69,700 | (5,057,600) | (604,400) | 189,000 | 282,900 | (5,190,100) | (529,400) | 38,000 | 40,000 | (5,641,500) |

| Provisions | Balance as at 31/03/16 | Transfers In | Expenditure | Balance as at 31/03/17 |
|--------------|------------------------|----------------|------------------|------------------------|
| | £ | £ | £ | £ |
| Bad Debts | 1,898,830 | 390,000 | (175,000) | 2,113,830 |
| Legal | 128,191 | | | 128,191 |
| Insurance | 341,564 | 170,000 | (100,000) | 411,564 |
| Total | 2,368,585 | 560,000 | (275,000) | 2,653,585 |

GENERAL FUND CAPITAL PROGRAMME - For Consideration by Cabinet 17 January 2017

| Service / Scheme | 2016/17 | | | 2017/18 | | | 2018/19 | | | 2019/20 | | | 2020/21 | | | 5 YEAR PROGRAMME | | |
|--|-------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-----------------------|------------------------|---------------------|
| | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Total Gross Programme | Total External Funding | Total Net Programme |
| Environmental Services | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Vehicle Renewals | 1,160,000 | | 1,160,000 | 1,685,000 | | 1,685,000 | 984,000 | | 984,000 | 971,000 | | 971,000 | 1,509,000 | | 1,509,000 | 6,309,000 | 0 | 6,309,000 |
| Bins & Boxes Scheduled Buy-Outs | 74,000 | | 74,000 | 50,000 | | 50,000 | | | 0 | | | 0 | | | 0 | 124,000 | 0 | 124,000 |
| Car Parks Improvement Programme | 57,000 | | 57,000 | 27,000 | | 27,000 | | | 0 | | | 0 | | | 0 | 84,000 | 0 | 84,000 |
| Middleton Solar Farm Feasibility Study | 0 | | 0 | | | 0 | | | 0 | | | 0 | | | 0 | 0 | 0 | 0 |
| Happy Mount Park - Pathway Replacements | 43,000 | | 43,000 | 23,000 | | 23,000 | 23,000 | | 23,000 | 23,000 | | 23,000 | | | 0 | 112,000 | 0 | 112,000 |
| Langridge Way Play Area | 23,000 | 16,000 | 7,000 | | | 0 | | | 0 | | | 0 | | | 0 | 23,000 | 16,000 | 7,000 |
| Health and Housing | | | | | | | | | | | | | | | | | | |
| Disabled Facilities Grants | 850,000 | 850,000 | 0 | 2,511,000 | 2,511,000 | 0 | 1,463,000 | 1,463,000 | 0 | 1,463,000 | 1,463,000 | 0 | 1,463,000 | 1,463,000 | 0 | 7,750,000 | 7,750,000 | 0 |
| Warmer Homes Scheme | 1,000 | | 1,000 | | | 0 | | | 0 | | | 0 | | | 0 | 1,000 | 0 | 1,000 |
| Salt Ayre Sports Centre - Redevelopment | 4,405,000 | | 4,405,000 | 340,000 | | 340,000 | | | 0 | | | 0 | | | 0 | 4,745,000 | 0 | 4,745,000 |
| Regeneration and Planning | | | | | | | | | | | | | | | | | | |
| Sea & River Defence Works & Studies | 3,780,000 | 3,780,000 | 0 | 2,860,000 | 2,860,000 | 0 | 1,221,000 | 1,221,000 | 0 | 25,000 | 25,000 | 0 | 25,000 | 25,000 | 0 | 7,911,000 | 7,911,000 | 0 |
| Amenity Improvements (Morecambe Promenade) | 24,000 | | 24,000 | | | 0 | | | 0 | | | 0 | | | 0 | 24,000 | 0 | 24,000 |
| Luneside East | 30,000 | | 30,000 | | | 0 | | | 0 | | | 0 | | | 0 | 30,000 | 0 | 30,000 |
| Lancaster Square Routes | 30,000 | 11,000 | 19,000 | | | 0 | | | 0 | | | 0 | | | 0 | 30,000 | 11,000 | 19,000 |
| Morecambe TH12: A View for Eric | 477,000 | 359,000 | 118,000 | 271,000 | 206,000 | 65,000 | 135,000 | 103,000 | 32,000 | | | 0 | | | 0 | 883,000 | 668,000 | 215,000 |
| MAAP Improving Morecambe's Main Streets | 527,000 | 9,000 | 518,000 | 258,000 | | 258,000 | 150,000 | | 150,000 | 150,000 | | 150,000 | | | 0 | 1,085,000 | 9,000 | 1,076,000 |
| King St/Wellington Terrace Affordable Housing s106 Scheme | 90,000 | | 90,000 | | | 0 | | | 0 | | | 0 | | | 0 | 90,000 | 0 | 90,000 |
| Middleton Nature Reserve s106 Scheme | 4,000 | | 4,000 | | | 0 | | | 0 | | | 0 | | | 0 | 4,000 | 0 | 4,000 |
| Pedestrian/cycle links Sainsbury's Morecambe s106 Scheme | 1,000 | | 1,000 | | | 0 | | | 0 | | | 0 | | | 0 | 1,000 | 0 | 1,000 |
| Lancaster District Empty Homes Partnership | 200,000 | | 200,000 | | | 0 | | | 0 | | | 0 | | | 0 | 200,000 | 0 | 200,000 |
| Bay Arena Improvements | 50,000 | 50,000 | 0 | | | 0 | | | 0 | | | 0 | | | 0 | 50,000 | 50,000 | 0 |
| S106 Highways Works | 319,000 | | 319,000 | 301,000 | | 301,000 | | | 0 | | | 0 | | | 0 | 620,000 | 0 | 620,000 |
| Resources | | | | | | | | | | | | | | | | | | |
| ICT Systems, Infrastructure & Equipment | 799,000 | | 799,000 | 227,000 | | 227,000 | 908,000 | | 908,000 | 93,000 | | 93,000 | 292,000 | | 292,000 | 2,319,000 | 0 | 2,319,000 |
| Corporate Property Works | 2,314,000 | 8,000 | 2,306,000 | 2,746,000 | | 2,746,000 | 1,113,000 | | 1,113,000 | | | 0 | | | 0 | 6,173,000 | 8,000 | 6,165,000 |
| Energy Efficiency Works | 40,000 | | 40,000 | 1,080,000 | | 1,080,000 | | | 0 | | | 0 | | | 0 | 1,120,000 | 0 | 1,120,000 |
| GENERAL FUND CAPITAL PROGRAMME | 15,298,000 | 5,083,000 | 10,215,000 | 12,379,000 | 5,577,000 | 6,802,000 | 5,997,000 | 2,787,000 | 3,210,000 | 2,725,000 | 1,488,000 | 1,237,000 | 3,289,000 | 1,488,000 | 1,801,000 | 39,688,000 | 16,423,000 | 23,265,000 |
| Financing : | | | | | | | | | | | | | | | | | | |
| Specific Grants and Contributions | 5,083,000 | | | 5,577,000 | | | 2,787,000 | | | 1,488,000 | | | 1,488,000 | | | 16,423,000 | | |
| General Capital Grants | 1,000 | | | 0 | | | 0 | | 0 | 0 | | 0 | | | 1,000 | | | |
| Capital Receipts | 1,219,000 | | | 870,000 | | | 0 | | 0 | 0 | | 0 | | | 2,089,000 | | | |
| Direct Revenue Financing | 363,000 | | | 50,000 | | | 0 | | 0 | 0 | | 0 | | | 413,000 | | | |
| Earmarked Reserves | 1,010,000 | | | 632,000 | | | 445,000 | | 173,000 | 173,000 | | 38,000 | | | 2,298,000 | | | |
| | 7,676,000 | | | 7,129,000 | | | 3,232,000 | | 1,661,000 | 1,661,000 | | 1,526,000 | | | 21,224,000 | | | |
| Increase / Reduction (-) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need) | 7,622,000 | | | 5,250,000 | | | 2,765,000 | | 1,064,000 | 1,064,000 | | 1,763,000 | | | 18,464,000 | | | |
| TOTAL FINANCING | 15,298,000 | | | 12,379,000 | | | 5,997,000 | | 2,725,000 | 2,725,000 | | 3,289,000 | | | 39,688,000 | | | |
| SHORTFALL / SURPLUS (-) | 0 | | | 0 | | | 0 | | 0 | 0 | | 0 | | | 0 | | | |

Equality Impact Assessment

Appendix D

Section 1: Details

| | |
|--|--|
| Service | Corporate |
| Title and brief description (if required) | General Fund Budget 2017 to 2021, including council tax. |
| New or existing | Existing |
| Author/officer lead | Chief Officer (Resources) |
| Date | 13 January 2017 |

Does this affect staff, customers or other members of the public?

Yes

Section 2: Summary

What is the purpose, aims and objectives?

To review/determine the Council's council rates for next year and targets for future years, and to review/determine the allocation of resources across Council functions and services.

Who is intended to benefit and how?

The district as a whole, although various groups may be affected (positively or negatively) depending on specific budget proposals.

Note that any specific budget proposals will have a separate EIA undertaken and therefore the predominant focus of this EIA is council tax.

Council tax decisions impact on the level of resources generally available for the provision of council services and therefore, as well as the financial impact, decisions may impact indirectly on the community/different groups, although it is not possible to be specific about this, other than through consideration of specific budget proposals.

Section 3: Assessing impact

| Is there any potential or evidence that this will or could: | | |
|--|-----|----|
| • Affect people from any protected group differently to others? | Yes | |
| • Discriminate unlawfully against any protected group? | | No |
| • Affect the relations between protected groups and others? | | No |
| • Encourage protected groups to participate in activities if participation is disproportionately low (won't always be applicable)? | | No |
| • Prevent the council from achieving the aims of its' Equality and Diversity Policy? | | No |

| If yes, please provide more detail of potential impact and evidence including: | |
|---|--|
| <ul style="list-style-type: none"> - A brief description of what information you have and from where eg getting to know our communities data, service use monitoring, views of those affected ie discussions or consultation results? - What does this tell you ie negative or positive affect? | |
| Age including older and younger people and children | <p>By law, nobody under the age of 18 is liable for council tax.</p> <p>No other evidence or expectation of any specific impact.</p> |
| Disability | No evidence or expectation of any specific impact. |
| Faith, religion or belief | No evidence or expectation of any specific impact. |
| Gender including marriage, pregnancy and maternity | No evidence or expectation of any specific impact. |
| Gender reassignment | No evidence or expectation of any specific impact. |
| Race | No evidence or expectation of any specific impact. |
| Sexual orientation Including Civic Partnership | No evidence or expectation of any specific impact. |

| | |
|-----------------------|--|
| Rural communities | No evidence or expectation of any specific impact. |
| People on low incomes | Potentially any increase in council tax could impact on low income households. This impact is demonstrated and mitigated by the existence of Council's Localised Council Tax Support Scheme (LCTS). As the Council has very recently reviewed its scheme and continues to offer up to full support, low income households would generally see an increase in their LCTS and this may cover up to 100% of any council tax increase. |

Section 4: Next steps

Do you need any more information/evidence eg statistics, consultation? If so, how do you plan to address this?

No.

How have you taken/will you take the potential impact and evidence into account?

Through Member decision-making - the existence of the LCTS scheme is highlighted in the Cabinet report.

How do you plan to monitor the impact and effectiveness of this change or decision?

Through general collection / caseload monitoring, as appropriate.

CABINET

**Budget and Policy Framework Update 2017 to 2021 –
Housing Revenue Account and Capital Programme
17 January 2017**

**Joint Report of Chief Officer (Health and Housing)
and Chief Officer (Resources)**

| PURPOSE OF REPORT | | | |
|---|------------------|------------------|------------------------------|
| This report provides an update on the council housing budgetary position and seeks Cabinet's decisions on council housing rent levels for 2017/18 and targets for future years. It also seeks approval of Cabinet's supporting revenue budget and capital programme proposals for referral on to Budget Council, in order to complete the HRA budget setting process for 2017/18. | | | |
| Key Decision | X | Non-Key Decision | Referral from Cabinet Member |
| Date of notice of forthcoming key decision | 19 December 2016 | | |
| This report is public. | | | |

RECOMMENDATIONS OF COUNCILLOR LEYTHAM:

- 1 That the Housing Revenue Account Revised Budget for 2016/17, as set out at Appendix A, be referred on to Council for approval, with the net overspending of £143K being met from Balances.
- 2 That the minimum level of HRA unallocated balances be increased from £350,000 to £500,000 from 01 April 2017, and that the full Statement on Reserves and Balances as set out at Appendix C (as updated to reflect Cabinet's final budget proposals) be endorsed and referred on to Budget Council for approval.
- 3 That council housing rents be set in accordance with statutory requirements as follows:
 - for general properties let as at 01 April 2017, average rent be set at £71.69 for 2017/18, representing a reduction of 1% from the previous year;
 - for sheltered and supported housing properties let as at 01 April 2017, average rent be set at £66.97 for 2017/18, representing a reduction of 1% from the previous year,
 - for 2018/19 to 2019/20 further average rent reductions be set at 1% year on year; and

- for any relevant property becoming void the following policy be re-affirmed, in that they continue to be re-let at 'formula rent' less the relevant cumulative year on year % reduction applicable (i.e. generally 2% for 2017/18 rising to 4% in 2019/20).
- 4 That beyond 2019/20, it be noted that the HRA Business Plan forecasts assume that council housing rents revert to increasing by 2% year on year, but this is subject to annual review and any future determinations that may be issued by Government from time to time.
- 5 That for 2017/18, all garage rents be increased by the Consumer Price Index (CPI) plus £1, with an additional CPI + £1 increase in each subsequent year until 2019/20, with CPI increases thereafter.
- 6 That subject to approval of a fixed term growth item for tackling anti-social behaviour, the associated HRA contribution be met from Balances.
- 7 That the resulting Housing Revenue Account budget for 2017/18 onwards as currently set out in Appendix A, but subject to any changes arising from the above, be referred on to Budget Council for approval.
- 8 That the Capital Programme as set out at Appendix D be referred on to Budget Council for approval.
- 9 That the above recommendations for the Housing Revenue Account be reflected within the Council's draft Medium Term Financial Strategy (MTFS) as appropriate.

1 Introduction

- 1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.
- 1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30 year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate. The draft MTFS will also be updated to reflect Cabinet's HRA budget proposals.

2 Rent Setting Policy

- 2.1 Prior to 2016/17 the Council's medium-term rent policy for council housing was based on target average rent increases of 3% year on year. The aim of the policy was to strike a balance between keeping rents affordable, managing financial risks, and increasing and improving council housing provision.
- 2.2 Unfortunately, through the Welfare Reform and Work Act 2016, the Government removed the ability of the Council to determine its own rent policy. As a consequence, from 2016/17 to 2019/20 most property rents must reduce by 1% year on year, except where properties become vacant and their rents have not yet reached convergence with other social housing providers (i.e. they are below what is referred to as 'formula rent'). In these circumstances, the rents to be charged for new tenancies can increase up to the formula rent level, less the cumulative 1% year on year reduction.

2.3 The council's current rent policy for council housing is summarised as follows:

| | |
|--|---|
| Average rent (excluding sheltered and supported properties) of £72.41 for 2016/17 (representing a 1% reduction). | Average rent for sheltered and supported properties of £67.65 for 2016/17 (to take them to 'formula rent'). |
| For 2017/18 to 2019/20 onwards average rents will reduce by 1% per year. | |
| Following relevant properties becoming vacant, they will be re-let at 'formula rent' less the relevant cumulative year on year reduction applicable (i.e. generally -1% for 2016/17 rising to -4% in 2019/20). | |

*** Note that the above figures have been re-presented on a 52-week basis, and allowing for the split out of sheltered/supported rents.*

2.4 In line with that context, for 2017/18 Cabinet is now required to set average council housing rents at £71.69 for general properties and £66.97 for sheltered and supported properties, and to determine its supporting budget proposals for referral on to Budget Council. Legislation means that there are no other options for Cabinet regarding rent levels. The statutory notice of rent variations would be issued to tenants by 01 March.

2.5 For information, 2017/18 will be a 52 week rent year, which will be collected over the standard 48 weeks with 4 non-collection weeks.

2.6 Cabinet does have some discretion around garage rents, however. Last year Cabinet approved a revised policy for rents to rise each year by the rate of inflation. The Council manages just over 400 garages within the HRA, and the current rent charged is £7.95 per week, but this is somewhat below current competitive rents which are above £11 per week. Cabinet is therefore requested to consider the following options for the setting of garage rents for 2017/18.

- Based on a projected CPI of 2% and current occupancy levels:

| Options for Increase | Proposed weekly rent excluding VAT (48 weeks) | Increased income above base budget |
|---------------------------|---|------------------------------------|
| Option 1: CPI + £1 | £9.11 | £18K |
| Option 2: CPI + £2 | £10.11 | £37K |
| Option 3: CPI + £3 | £11.11 | £56K |

2.7 The Officer preferred option would be to increase rents to a competitive level (ie £11.11 – CPI + £3) but to do this in stages, as set out below.

| Proposed Increase | Proposed weekly rent excluding VAT (48 weeks) | Increased income above base budget |
|-------------------|---|------------------------------------|
| 2017/18 CPI + £1 | £9.11 | £18K |
| 2018/19 CPI + £1 | £10.33 | £37K |
| 2019/20 CPI + £1 | £11.58 | £57K |
| 2020/21 CPI + £0 | £11.85 | £59K |

2.8 This would therefore lessen the immediate impact on customers, but would still result in a competitive garage rent by 2019/20, as well as generating additional income of £57K.

3 30 Year Business Plan

- 3.1 The Council is required to maintain a 30 year Business Plan to ensure and demonstrate the viability of the Housing Revenue Account. In essence it shows whether, over the longer term, the level of rental and other income is sufficient to cover the cost of maintaining the existing stock, whilst also covering all other costs such as debt repayment, administration costs etc.
- 3.2 The Government's rent reduction policy has greatly reduced potential (and previously budgeted for) income for not just existing services and maintenance needs but also any new build aspirations. Furthermore, it is expected that other Government social housing proposals will add significantly to the challenges ahead, in terms of maintaining the viability of the Business Plan.
- 3.3 Regarding such proposals, the Government has still to make its announcement on the operation of its policy for the sale of higher value council housing (on them becoming vacant) but it has announced its revised proposals to introduce the local housing allowance cap for various social housing tenants in 2019/20. Furthermore the roll out of Universal Credit for new claimants is well underway within the district. The full implications of these changes on income collection still have to be modelled.
- 3.4 Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve. It compares the position back in March 2016 to projections as at January this year. It should be noted that it is still assumed that rents will increase by 2% per annum from 01 April 2020, noting that this is by no means certain. The garage rents proposal is not included at this stage.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 30 Year Cumulative Total £'000 |
|--|------------------|------------------|------------------|------------------|------------------|--------------------------------------|
| Business Support Reserve | 8,396 | 8,396 | 8,396 | 8,081 | 6,631 | 4,449 |
| Unallocated Balances | 1,580 | 1,662 | 1,323 | 350 | 350 | 3,530 |
| Projections as at March 2016 | 9,976 | 10,058 | 9,719 | 8,431 | 6,981 | 7,979 |
| Business Support Reserve | 8,364 | 8,364 | 8,364 | 8,364 | 8,364 | 6,254 |
| Unallocated Balances | 1,825 | 2,023 | 2,017 | 1,598 | 1,014 | 1,342 |
| Projections as at January 2017 | 10,189 | 10,387 | 10,381 | 9,962 | 9,378 | 7,596 |
| Overall Movement Adverse / (Favourable) | (213) | (329) | (662) | (1,531) | (2,397) | 383 |

- 3.5 Overall it can be seen that whilst there are additional surpluses in the medium term, the position by Year 30 shows a reduction of £383K. However, the overall level of surplus resources is still projected to be just under £7.6M.
- 3.6 The main reason for the longer term reduction is due to additional right to buy sales being assumed, based on previous years' experience. Going forward it is assumed there will be 12 sales per year as opposed to the previous 10. The impact of this means that by year 30 rental income will have reduced by some £2.2M. To counter this there have been reductions to future years' repair and maintenance and capital programme budgets;

more information is included at section 4.2 of this report. The impact of this has mitigated virtually all of the reduction in income.

3.7 Drawing on business plan assumptions, the underlying rent policy and operational matters, more details of Council's Housing's revenue and capital position are provided in the following sections, to help inform Cabinet's budget proposals.

4 **2016/17 Revised Budget**

4.1 Following the review of the current years' budget, a net surplus of £133K is now forecast, which is £143K lower than originally forecast (meaning that the account has overspent in-year). A summary statement is set out at **Appendix A** and the main variations are shown below. This focuses on the bottom-line variances, excluding any notional charges:

| SUMMARY OF MAIN 'CASH' VARIANCES ON HRA | £'000 |
|--|--------------|
| Operational Variances: (+)Adverse / (Favourable) | |
| Increased spend on Repairs and Maintenance | +187 |
| Increase in Bad Debt Provision | +12 |
| Net Decrease in Revenue Financing of Capital Programme (either directly or from Reserves) | (109) |
| Sub-total | +90 |
| Review of Reserves (see section 6) | |
| Net Reduction in transfer to Major Repairs Reserve | (56) |
| Net Reduction in transfers to other Earmarked Reserves | (25) |
| Net Increase in Capital Receipts | +134 |
| Net Reduction in Surplus Forecast for Year | +143 |

4.2 A number of key points are highlighted:

- There has been an additional cost (c£100k) on repair and maintenance mainly relating to the re-instatement of voids to a lettable standard. A continuing review at how the repair and maintenance of council housing stock is delivered in the most efficient, effective and economical way will look to reduce ongoing maintenance costs, as there is still more work to be undertaken in this area.
- Average capital receipts from annual right to buy sales have increased in the previous and current year, thereby reducing the call on revenue to finance the Capital Programme.

4.3 Taking account of the variances outlined above, and the £348K underspending from 2015/16, HRA Balances at the end of this year are expected to be around £200K higher than originally forecast, as shown in the following table:

| | 2016/17 Original Budget £'000 | 2016/17 Revised Budget £'000 |
|---|--|---|
| Original Estimated Balances as at 31 March 2016 | 1,344 | 1,344 |
| Add: Underspending in 2015/16, at outturn | -- | 348 |
| Add: Forecast surplus in current year | 276 | 133 |
| Forecast Balances as at 31 March 2017 | 1,620 | 1,825 |
| Of which: | | |
| Surplus Balances (above current minimum £350K) | | 1,475 |

4.4 Cabinet is recommended to refer the HRA Revised Budget for 2016/17 to Council as set out at **Appendix A** for approval.

5 **2017/18 Budget and Future Years Projections**

5.1 The draft budget has now been prepared for 2017/18 together with projections for 2018/19, 2019/20 and 2020/21, i.e. in line with the same 4 year revenue planning horizon as General Fund. The budgets are set out in line with Accounting Requirements and they take account of the usual pay and price inflation assumptions. Specific aspects of the budget are outlined in more detail below.

- Provision continues to be made for repayment of the self-financing debt over the next 25 year period, noting that the principal sum outstanding as at 31 March 2017 will be £26M. No provision has been made as yet in respect of the £15.3M HRA share of earlier years' debt, but this is the same approach that applied under the former subsidy system.
- In response to the need to cover inflationary increases, reducing housing rents income and also the need to be able to react to the impact of government welfare reform changes, any operational savings/efficiencies arising have been built into the draft budgets. In the main they have been achieved as follows:
 - £300K (average per year) – revenue financing of capital programme. Following further review of the programme, disabled adaptations have been reduced to bring them in line with previous year average spending, whole house improvements have been re-profiled over three years instead of one year and cost savings are expected on externally contracted works following the expiry of the Forrest Partnership working arrangements, thereby reducing the annual financing requirement.

5.2 Whilst there will be some comparatively minor service and tenant impact arising from above, the change is predominantly a financing matter.

5.3 Cabinet should note also that actions arising from the ongoing review of how council houses are repaired and maintained are likely to have resource implications. Once these have been quantified, they will be reported through for consideration as necessary, and fed into the next update of the HRA Business Plan. This is important, not least to help avoid any overspendings as expected in the current year.

6 **Savings and Growth**

6.1 Alongside setting council housing rents, Cabinet is also requested to make recommendations regarding a savings option and two growth proposals for consideration

by Council. In considering any growth requests, Cabinet is advised to take account of the current MTF5, which states that any 'growth in a particular area will only be considered if it meets either of the following conditions:

- *it is needed to meet statutory service standards; or*
- *it is essential to meet a key objective within Corporate Plan proposals, for which there are no alternative providers or sources of funding available **and** sufficient progress has been made in adopting plans for addressing the medium term budget deficit, so as to consider any growth proposal affordable and sustainable in the medium to long term. This applies particularly to any recurring or high cost one-off growth proposals.'*

6.2 As reported at December's meeting, approval was sought to develop a service delivery model and structure to provide extra capacity, to provide additional tenancy and household support, to encourage tenant independence and sustainability to mitigate the effects of government welfare reforms and the wider public sector reforms. As referred to earlier, the latter has potentially massive ongoing implications for the viability of Council Housing's 30-year Business Plan. The annual cost is around £75K and is estimated to be funded from reducing rent losses through void properties (£35K) and annual savings on planned and responsive repairs (£40K).

6.3 There is also the potential for another growth item (in connection with tackling anti-social behaviour) to have impact on the HRA, in order to achieve certain council housing output requirements. This pilot initiative is primarily linked to the General Fund Budget, and at the time of writing this report Cabinet was still to confirm its General Fund budget proposals. In the event that the bid is supported, given that its impact would be fixed term it is proposed that any HRA contribution would be met from unallocated balances. Any ongoing requirement after the initial pilot period would need to be considered further following evaluation as part of the relevant annual budget cycle.

6.4 The following table shows the individual financial impact on the 30 year Business Plan of the savings and growth proposals being put forward, together with the garage rent proposal covered in section 2 earlier:

| | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 30 Year Cumulative Total £'000 |
|--|------------------|------------------|------------------|------------------|---|
| Projections as at January 2017 | (10,387) | (10,381) | (9,962) | (9,378) | (7,596) |
| Garage Rents – additional income <i>(based on officer preferred option)</i> | (18) | (37) | (57) | (59) | (1,890) |
| Restructuring <i>(Dec Cabinet)</i> : | | | | | |
| Costs | 75 | 74 | 73 | 73 | } (441) |
| Increased Void Income | (15) | (40) | (40) | (40) | |
| Reduced R&M Costs | (40) | (40) | (47) | (50) | |
| ASB Pilot Contribution | 15 | 18 | 3 | - | 36 |
| Updated Projections | (10,370) | (10,406) | (10,030) | (9,454) | (9,891) |
| Overall Change Adverse / (Favourable/) | 17 | (25) | (68) | (76) | (2,295) |

- 6.5 The table shows that the proposals will improve the overall 30 year business plan by almost £2.3M.

7 Provisions, Reserves and Balances

- 7.1 The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer (Resources) takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in **Appendix B**.
- 7.2 After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises increasing the minimum level of HRA Balances to £500K from 01 April 2017 to support the budget forecasts, as part of the overall medium term financial planning for the HRA. This is in recognition that the recent and ongoing changes in respect of social housing/rent policy have substantially increased risks around rental income and the viability of the service going forward, and the lack of a clear legislation framework for rent policy beyond 2019/20 adds considerably to these risks.
- 7.3 The Business Support Reserve (BSR) has a current unallocated balance of £8.3M. The impact of ongoing Government changes to the future financing of the HRA remains unclear, although they are expected to be significant and as a result, the first call on the BSR will be required to support existing commitments over the lifetime of the 30-year business plan. At this point in time the consideration of future plans for increasing the stock of one bedroom accommodation is still on hold.
- 7.4 With regard to the Major Repairs Reserve, it should be noted that the call on this has lessened, mainly due to reduced capital expenditure on various schemes and increased capital receipts from Right to Buys being used to help finance the programme.
- 7.5 A more detailed review of other earmarked reserves is still needed, with plans for this to be undertaken during 2017/18 to inform future levels.
- 7.6 In terms of provisions, the annual contribution to the bad debts provision has increased slightly from those planned a year ago based on current activity, noting that the full impact of welfare reforms has not yet hit the HRA budget and so will need to continue to be closely monitored.
- 7.7 A draft statement on all reserves is attached at **Appendix C (i)** and **Appendix C (ii)**. Levels are viewed as adequate for the period covered, but will need to be reviewed in more detail as highlighted above. Cabinet is asked to endorse this information, with the Statement being referred on to Council as part of the HRA budget proposals.

8 Capital Programme 2016/17 to 2020/21

- 8.1 The Council has a statutory duty to ensure that all of its council housing stock meets the Decent Homes Standard, but the Council adopted a higher 'Lancaster' standard for the maintenance of its housing stock.
- 8.2 In capital investment terms, the aim is to establish a sound long-term investment programme, which identifies the indicative investment needed to maintain the housing

stock over the 30-year business planning period, taking account of the adopted Lancaster standard. The financing of this investment is then incorporated back into the HRA business plan, to establish (and address) its affordability and viability.

- 8.3 **Appendix D** sets out the overall capital programme for consideration by Cabinet and referral on to Council. To keep capital planning horizons the same as revenue and in line with General Fund, the programme has also been rolled on a year to cover the period to 2020/21. More details are provided in the sections below.

9 2016/17 Revised Capital Programme

- 9.1 The 2016/17 Council Housing Capital Programme was set at £4.505M by Council on 02 March 2016. This programme has since been increased for approved slippage of £36K from 2015/16 for environmental improvements, and other reductions of £227K mainly relating to reduced costs for kitchens and bathrooms and external refurbishments and re-roofing/window renewals. Overall the programme has reduced by £191K to give a revised total of £4.314M.

10 2017/18 to 2020/21 Capital Programme

- 10.1 Future years' programmes are set in line with the HRA Business Plan wherever possible. In support of this, work continues to be undertaken to assess the requirement needs of the existing council housing stock and this has been fed into the 30-year Business Plan. Drawing on information from this and the Stock Condition Survey undertaken during 2014 and allowing for revenue funded maintenance, the draft programme included at Appendix D should enable the housing stock to continue to be maintained to the appropriate standards.
- 10.2 In terms of future investment, due to current uncertainty surrounding further Government proposals, no assumptions on future new build have been included in the current programme.
- 10.3 Although Officers have been moving some schemes forward, until the impact of all the legislative and policy changes being introduced by Government are properly understood and have been appraised, it is re-iterated that only the two schemes at Carnforth are being taken to full planning approval, alongside progressing the scheme for additional sheltered housing bungalows, the conversion of the ex-scheme manager's house into two sheltered flats at Parkside Court, Westgate and also at Melling House, Hala, and that work on all other schemes has ceased for now. No schemes will be progressed to build stage without approval by Cabinet. There may well be other options to explore how the Council might seek to help increase housing stock, for example through the setting up of a housing company, but complex matters such as this need careful consideration, hence they are likely to be put forward for consideration early next year, as part of 2018/19 budget planning.
- 10.4 Taking account of the above points, the total draft five year programme for 2016/17 onwards now stands at £20.822M, the majority of which will be financed from revenue sources. There is no prudential borrowing requirement. The HRA is therefore still in a reasonable position financially, subject to the significant uncertainties surrounding future Government policy. That said, any future capital investment must still ensure that long-term financial sustainability is not compromised.

11 Details of Consultation

11.1 The headlines from the draft Revenue Budget and Capital Programme were presented to the District Wide Tenants' Forum on 11 January prior to the Cabinet meeting. The Forum recognised the financial pressures the statutory housing rent reduction created but from a tenant perspective the rent reduction was welcomed. The proposals for increasing the garage rents received no adverse comment.

12 Options and Options Analysis (including risk assessment)

12.1 There is currently no other alternative available in respect of 2017/18 housing rent setting, given legislative requirements.

12.2 In terms of garage rents, options are presented in order to be comparable with other providers whilst remaining competitive, as set out in section 2 of the report. Cabinet may either choose to support the Officer preferred option for a phased increase to help smooth the impact, or retain existing rents, or introduce increases sooner, although the latter may generate more customer resistance.

12.3 With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long their financing is considered and addressed.

12.4 The options available in respect of the minimum level of HRA balances are to set the level at £500,000 in line with the advice of the Section 151 Officer, retain at £350,000 or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.

12.5 With regards to the growth proposals as set out in section 6 of the report, Cabinet should consider the costs and benefits of the proposals and whether they are affordable, in particular over the medium to longer term.

12.6 The options available in respect of the Capital Programme are:

- i) To approve the programme in full, with the financing as set out;
- ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

12.7 Any risks attached to the above would depend very much on what measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

13 Officer Preferred Option (and comments)

13.1 The Officer preferred options are to:

- Set housing rent levels in line with Government legislation.
- Approve the changes to garage rents as proposed in the report.
- Approve / refer on the provisions, reserves and balances position as set out.
- Use balances to help fund the ASB growth item, subject to the associated General Fund proposal being approved.
- Approve / refer on other revenue and capital budget proposals as set out.

RELATIONSHIP TO POLICY FRAMEWORK

The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

No significant implications directly arising. An equality impact assessment is attached at **Appendix E** (note that separate ones have been undertaken regarding growth).

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

The council will deal with all relevant matters in relation to the staffing restructure of the service in line with legislation and its own internal policies and procedures.

Information Services:

There are no direct implications arising out of this report.

Property:

There are no direct implications arising out of this report.

Open Spaces:

There are no direct implications arising out of this report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has contributed to this report, which is in her name in part (in her capacity as Chief Officer (Resources)).

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None

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HOUSING REVENUE ACCOUNT DRAFT BUDGET

For Consideration by Cabinet on 17 January 2017

| | 2016/17 Budget £ | 2016/17 Revised £ | 2017/18 Budget £ | 2018/19 Forecast £ | 2019/20 Forecast £ | 2020/21 Forecast £ |
|--|------------------------|-------------------------|------------------------|--------------------------|--------------------------|--------------------------|
| INCOME | | | | | | |
| Rental Income - Council Housing (Gross) | (13,700,500) | (13,679,000) | (13,500,700) | (13,325,100) | (13,148,400) | (13,366,200) |
| Rental Income - Other (Gross) | (228,700) | (229,500) | (235,200) | (240,200) | (244,000) | (247,900) |
| Charges for Services & Facilities | (1,600,000) | (1,673,200) | (1,487,400) | (1,520,900) | (1,557,500) | (1,591,800) |
| Grant Income | (7,700) | (7,700) | (7,700) | (7,700) | (7,700) | (7,700) |
| Contributions from General Fund | (95,800) | (101,000) | (101,000) | (102,900) | (106,900) | (109,100) |
| Total Income | (15,632,700) | (15,690,400) | (15,332,000) | (15,196,800) | (15,064,500) | (15,322,700) |
| EXPENDITURE | | | | | | |
| Repairs & Maintenance | 4,518,800 | 4,982,500 | 4,901,400 | 4,956,300 | 5,190,000 | 5,334,700 |
| Supervision & Management | 3,063,200 | 3,044,600 | 2,924,400 | 2,973,700 | 3,056,000 | 3,135,700 |
| Rents, Rates, Taxes & Other Charges | 191,500 | 183,400 | 200,000 | 216,900 | 233,800 | 250,400 |
| Increase in Provision for Bad and Doubtful Debts | 145,100 | 157,500 | 159,200 | 160,800 | 162,600 | 164,600 |
| Depreciation & Impairment of Fixed Assets | 2,006,000 | 2,146,100 | 2,082,900 | 2,082,800 | 2,082,800 | 2,069,000 |
| Debt Management Costs | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 |
| Total Expenditure | 9,925,700 | 10,515,200 | 10,269,000 | 10,391,600 | 10,726,300 | 10,955,500 |
| NET COST OF HRA SERVICES | (5,707,000) | (5,175,200) | (5,063,000) | (4,805,200) | (4,338,200) | (4,367,200) |
| Interest Payable & Similar Charges | 1,967,000 | 1,960,200 | 1,937,100 | 1,896,600 | 1,859,500 | 1,822,000 |
| Amortisation of Premiums & Discounts | (600) | (600) | 0 | 0 | 0 | 0 |
| Capital Grants and contribution receivable | 0 | (34,000) | (21,000) | 0 | 0 | 0 |
| Interest & Investment Income | (80,300) | (53,200) | (7,400) | (9,300) | (12,200) | (12,200) |
| Past Service Pension Cost | 185,300 | 231,700 | 152,000 | 152,000 | 152,000 | 235,500 |
| Self Financing Debt Repayment | 1,041,400 | 1,041,400 | 1,041,400 | 1,041,400 | 1,041,400 | 1,041,400 |
| (SURPLUS) OR DEFICIT FOR THE YEAR | (2,594,200) | (2,029,700) | (1,960,900) | (1,724,500) | (1,297,500) | (1,280,500) |
| Adjustments to reverse out Notional Charges included above | (18,300) | 33,800 | 21,000 | 0 | 0 | 0 |
| Transfers to/(from) Major Repairs Reserve | 2,146,600 | 1,697,500 | 1,525,300 | 1,629,400 | 1,577,400 | 1,732,400 |
| Transfers to/(from) Earmarked Reserves | (26,800) | (2,000) | 17,500 | (99,100) | (61,100) | 32,100 |
| Capital Expenditure funded from Revenue Reserves | 217,000 | 167,000 | 200,000 | 200,000 | 200,000 | 100,000 |
| TOTAL (SURPLUS) / DEFICIT FOR THE YEAR | (275,700) | (133,400) | (197,100) | 5,800 | 418,800 | 584,000 |
| Housing Revenue Account Balance brought forward | (1,344,417) | (1,692,065) | (1,825,465) | (2,022,565) | (2,016,765) | (1,597,965) |
| HRA BALANCE CARRIED FORWARD | (1,620,117) | (1,825,465) | (2,022,565) | (2,016,765) | (1,597,965) | (1,013,965) |

Note that this does not include the following proposals:

- Garage Rents
- Council Housing Restructure
- ASB growth proposal

It will therefore need to be updated should Cabinet approve any of these proposals.



2017/18 BUDGET
HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 17 JANUARY 2017



| RISK AREA | NOTES/DETAILS |
|-----------------|--|
| Self financing | <p>Recent Government policy changes within the Welfare Reform and Work Act and the Housing and Planning Act have introduced significant challenges and future financial risks to the council's HRA removing local discretion to set rent levels.</p> <p>Under Part VI of the Local Government and Housing Act 1989 a local authority has a duty to keep a HRA as a ring fenced account and has a duty to ensure that it does not go into deficit.</p> <p>Robust business and financial planning arrangements need to be maintained that take into account service budgetary needs, debt financing, stock condition, and ongoing Government social housing rent policy.</p> |
| Rent policy | <p>The council's rent setting policy originally predicated on Government rent policy guidelines and the freedoms introduced under the self-financing regime in 2011. The Council had previously agreed to set a rent policy which supported the future investment needs of its HRA housing stock, and enabled the Council to consider council housing in a wider regeneration context. The Council remains committed to maintaining decent homes, and aspires to build and acquire new homes.</p> <p>Originally the Government under its guidelines for rent setting and to support the debt settlement for self-financing, and future financing, the council would increase its rents at RPI + 1%. These policy guidelines were amended by Government from 2015 onwards for rents to increase by CPI (at September of the previous year) + 1% annually, for ten years. However, in May 2015 the Government announced that it was going to statutorily limit rents for the next 4 years commencing 2016/17 and statutorily impose rent decreases of 1% per annum.</p> <p>Government rent setting policy after this date is currently unknown and introduces unquantifiable future financial risks.</p> |
| Income recovery | <p>Government legislation and further welfare reforms (including further caps on the maximum amount of welfare benefit tenants can receive and the introduction of Local Housing Allowance caps to the social housing sector) continue to present a higher risk to levels of rent collection and the potential need to increase further the contributions to the Bad Debts Provision. There will be continuing negative effect on the ability to sustain future years' budgets if income recovery deteriorates.</p> <p>Adequate Bad Debts Provision will be provided for within the HRA, and the level is kept under review.</p> <p>To mitigate against these increase risks the income management team is to be strengthened to maximise recovery of income, and other additional resources are to be put in place to work with households who are facing increasing financial challenges.</p> |
| Void levels | <p>Management of voids is an increasing priority to ensure that rent loss through voids is minimised. Should turnover increase greater allowance may need to be made within the budget for loss of rental income due to voids. Additional resources have been approved to better co-ordinate the management of voids to mitigate against this risk and to achieve a reduction in income losses due to voids.</p> |
| Reduced demand | <p>Overall demand for council housing remain high, and is particularly high for one and two bedroom properties. This demand has informed the Council's decision to give priority to building one bedroom accommodation in any new build programme or acquisition scheme. However, again current proposed Government legislation has impacted on the council's ability to meet this demand. Overall demand across the council housing stock is monitored and informs the asset management plans.</p> |

| | |
|-----------------------------------|--|
| Stock reductions | <p>The rate of sales in 2016/17 remains relatively low compared with historic levels of sales. However any sales lead to future projected rental income levels being reduced. Low sales levels also lead to lower levels of capital receipts. Sales also impact on the revenue position as income is reduced but many costs are fixed.</p> <p>The Government is also introducing through legislation the enforced sale of higher value council homes as they become vacant. To date the Government has not announced how this will operate but the Council will not keep the capital receipt and there will be a loss of rental income.</p> <p>The financial effect of this Government policy on the HRA is currently not quantifiable. The Government's objective is to increase the level of owner occupation through these measures, and continues to promote the RTB Scheme. Significant increase in RTB sale would reduce rental streams that would lead to deterioration in the HRA budgetary position, and the viability of the HRA, unless measures could be taken to reduce costs within the HRA.</p> |
| Additional capital requirements | <p>Legislation, changes in health and safety standards or the discovery of previously unknown defects may require additional capital expenditure. The Council has increased its expenditure on fire precaution works, asbestos management, and the managing the risk of legionella. The Council still needs to ensure the asset register and asset management plans correctly identify the investment needs and programmes. Any requirements identified will be reviewed and reflected in the 30 year HRA Business Plan.</p> |
| Major disasters | <p>Major disasters are generally covered by insurance. The Government also provides support for uninsurable losses incurred by local authorities through the Bellwin scheme.</p> |
| Effect of Legislation /Regulation | <p>Implications of new legislation / regulation or changes to existing legislation / regulation can present significant new financial risks.</p> <p>The legislative programme of Government, within the Welfare Reform and Work Act and the Housing and Planning Act, may be considered as undermining the HRA self-financing debt settlement / self-financing regime, and continues to present significant new financial challenges and risks to the Council's HRA. Ongoing, corrective actions may need to be taken to avoid the HRA going into deficit in future years, especially if further rent constraints are brought in.</p> |
| Other events | <p>Lancashire County Council are continuing to reconfigure their commissioning strategy for older people service, and the County have confirmed that they will cease funding sheltered housing support from 2017/18. Service provision and funding relating to sheltered housing has been reassessed, and reconfigured to mitigate the impact on the financial support sheltered housing tenants' receive.</p> |
| | |

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For consideration by Cabinet on 17 January 2017

| | Balance as at 31/03/16 £ | Contributions | | | Balance as at 31/03/17 £ | Contributions | | | Balance as at 31/03/18 £ | Contributions | | | Balance as at 31/03/19 £ | Contributions | | | Balance as at 31/03/20 £ | Contributions | | | Balance as at 31/03/21 £ |
|---------------------------------|-----------------------------|----------------------------------|----------------------------------|------------------|-----------------------------|----------------------------------|----------------------------------|-----------------|-----------------------------|----------------------------------|----------------------------------|------------------|-----------------------------|----------------------------------|----------------------------------|------------------|-----------------------------|----------------------------------|----------------------------------|------------------|-----------------------------|
| | | To the Reserve from Revenue £ | From the Reserve To Capital £ | To Revenue £ | | To the Reserve from Revenue £ | From the Reserve To Capital £ | To Revenue £ | | To the Reserve from Revenue £ | From the Reserve To Capital £ | To Revenue £ | | To the Reserve from Revenue £ | From the Reserve To Capital £ | To Revenue £ | | To the Reserve from Revenue £ | From the Reserve To Capital £ | To Revenue £ | |
| HRA General Balances | 1,692,065 | 133,400 | | | 1,825,465 | 197,100 | | | 2,022,565 | | | (5,800) | 2,016,765 | | | (418,800) | 1,597,965 | | | (584,000) | 1,013,965 |
| Earmarked Reserves: | | | | | | | | | | | | | | | | | | | | | |
| Business Support Reserve | 8,436,881 | | | (72,800) | 8,364,081 | | | | 8,364,081 | | | | 8,364,081 | | | | 8,364,081 | | | | 8,364,081 |
| Major Repairs Reserve | 0 | 3,843,400 | (3,843,400) | | 0 | 3,834,200 | (3,834,200) | | 0 | 3,962,200 | (3,962,200) | | 0 | 3,660,200 | (3,660,200) | | 0 | 3,801,400 | (3,801,400) | | 0 |
| Flats - Planned Maintenance | 690,738 | 133,000 | (167,000) | (14,800) | 641,938 | 133,000 | (200,000) | (24,300) | 550,638 | 133,000 | (200,000) | (85,100) | 398,538 | 133,000 | (200,000) | (51,100) | 280,438 | 133,000 | (100,000) | (58,000) | 255,438 |
| I T Replacement | 591,195 | 57,000 | | (7,000) | 641,195 | 57,000 | | | 698,195 | | | | 698,195 | | | | 698,195 | | | | 698,195 |
| Office Equipment Reserve | 36,009 | 3,000 | | (2,000) | 37,009 | | | | 37,009 | | | | 37,009 | | | | 37,009 | | | | 37,009 |
| Sheltered - Equipment | 240,953 | 56,100 | | (57,900) | 239,153 | 31,800 | | (38,000) | 232,953 | 28,100 | | (40,700) | 220,353 | 27,900 | | (31,300) | 216,953 | 27,900 | | (30,900) | 213,953 |
| Sheltered - Planned Mtce | 126,014 | 90,400 | | (20,000) | 196,414 | 50,000 | | (20,000) | 226,414 | 57,500 | | (20,000) | 263,914 | 52,500 | | (20,000) | 296,414 | 52,200 | | (20,000) | 328,614 |
| Sheltered Support Grant Mtce | 445,075 | | | | 445,075 | 28,000 | | | 473,075 | 28,100 | | | 501,175 | 27,900 | | | 529,075 | 27,900 | | | 556,975 |
| Total Earmarked Reserves | 10,566,864 | 4,182,900 | (4,010,400) | (174,500) | 10,564,864 | 4,134,000 | (4,034,200) | (82,300) | 10,582,364 | 4,208,900 | (4,162,200) | (145,800) | 10,483,264 | 3,901,500 | (3,860,200) | (102,400) | 10,422,164 | 4,042,400 | (3,901,400) | (108,900) | 10,454,264 |
| Provision | | | | | | | | | | | | | | | | | | | | | |
| Bad Debt | 515,978 | | | | | | | | | | | | | | | | | | | | |

RESERVES AND PROVISIONS- For Consideration by Cabinet on 17 January 2017

| | Reason for/purpose | How & when it be used | Management & control | Reviewed | Recommendations |
|------------------------------------|---|--|--|-----------------------------|---|
| Capital Reserves | | | | | |
| Major Repairs Reserve (MRR) | Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year. | Can be applied to capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1 st April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans). | Health & Housing /Resources | Budget & Outturn | To provide in-year funding for the capital programme as budgeted. |
| Business Support Reserve | Established to provide support to additional business plan commitments and planned investment opportunities. | Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget. | Health & Housing /Resources | Budget & Outturn | Retain as budgeted, noting that the first call will be to support the business plan. |

RESERVES AND PROVISIONS- For Consideration by Cabinet on 17 January 2017

| | Reason for/purpose | How & when it be used | Management & control | Reviewed | Recommendations |
|--|--|--|--|-----------------------------|---------------------|
| Revenue Reserves | | | | | |
| Flats – Planned Maintenance Reserve | Established to smooth the costs of major revenue and capital works to flats funded from Service Charges. | Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats. | Health & Housing /Resources | Budget & Outturn | Retain as budgeted. |
| IT Replacement | Established to fund future IT systems and equipment replacement. | To be applied to future replacements. | Health & Housing /Resources | Budget & Outturn | Retain as budgeted. |
| Office Equipment Reserve | Established to fund purchases of major office furnishings. | Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items. | Health & Housing /Resources | Budget & Outturn | Retain as budgeted |
| Sheltered Equipment Reserve | Established to fund purchases of equipment for Sheltered schemes funded from Service Charges. | Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes. | Health & Housing /Resources | Budget & Outturn | Retain as budgeted. |

RESERVES AND PROVISIONS- For Consideration by Cabinet on 17 January 2017

| | Reason for/purpose | How & when it be used | Management & control | Reviewed | Recommendations |
|--|---|---|--|-----------------------------|---|
| Sheltered – Planned Maintenance | Established to smooth the costs of major revenue and capital works to flats funded from Service Charges | Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes. | Health & Housing /Resources | Budget & Outturn | Retain as budgeted. |
| Sheltered – Support Grant Maintenance | Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines. | Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes. | Health & Housing /Resources | Budget & Outturn | Retain as budgeted. |
| JE Reserve | Established to fund the support of the pay structure. | Contribution to the reserve to be approved by Cabinet. Use of the reserves to be determined (and agreed) by both the Chief Officer (Governance) and Chief Officer (Resources). | Health & Housing /Resources | Budget & Outturn | Reserve still retained (in principle) pending the outcome of the second job evaluation review. |

| | Reason for/purpose | How & when it be used | Management & control | Reviewed | Recommendations |
|-------------------|--|---|----------------------|-----------------------------|---|
| Provisions | | | | | |
| Bad Debts | This provision is used to write off all Housing Revenue Account bad debts that have been approved. | The provision is funded by an annual contribution based on assessment of the level of debt outstanding. | Resources | Budget & Outturn | To be reviewed following an assessment of the impact of Welfare Reforms. |

Equality Impact Assessment

Section 1: Details

| | |
|--|--|
| Service | Health and Housing Service - council housing Resources - finance |
| Title and brief description (if required) | Budget and Policy framework Update 2017/21 – Housing Revenue Account and Capital Programme |
| New or existing | Existing – HRA budget approval and annual rent setting |
| Author/officer lead | Chief Officer (Health and Housing) |
| Date | 30 December 2016 |

Does this affect staff, customers or other members of the public?

Yes Public

Section 2: Summary

What is the purpose, aims and objectives?

The purpose is to ensure that there are sufficient resources to maintain and manage the council's Housing Revenue Account (HRA) assets.

The report provides an update on the council housing budgetary position and seeks Cabinet's decisions on council housing rent levels for 2017/18 and targets for future years. It also seeks approval of Cabinet's supporting revenue budget and capital programme proposals for referral on to Budget Council, in order to complete the HRA budget setting process for 2017/18.

Who is intended to benefit and how?

Council housing tenants and the council. The benefits are a well maintained and managed housing stock for both current and future tenants.

Section 3: Assessing impact

| Is there any potential or evidence that this will or could: | | |
|--|--|-----|
| • Affect people from any protected group differently to others? | | No |
| • Discriminate unlawfully against any protected group? | | No |
| • Affect the relations between protected groups and others? | | No |
| • Encourage protected groups to participate in activities if participation is disproportionately low (won't always be applicable)? | | N/A |
| • Prevent the council from achieving the aims of its' Equality and Diversity Policy? | | No |

| If yes, please provide more detail of potential impact and evidence including: | |
|---|---------|
| <ul style="list-style-type: none"> - A brief description of what information you have and from where eg getting to know our communities data, service use monitoring, views of those affected ie discussions or consultation results? - What does this tell you ie negative or positive affect? | |
| Age including older and younger people and children | Neutral |
| Disability | Neutral |
| Faith, religion or belief | Neutral |
| Gender including marriage, pregnancy and maternity | Neutral |
| Gender reassignment | Neutral |
| Race | Neutral |
| Sexual orientation Including Civic Partnership | Neutral |

| | |
|-----------------------|--|
| Rural communities | Neutral |
| People on low incomes | Positive Impact – rent reductions over future years to 31 March 2020 |

Section 4: Next steps

Do you need any more information/evidence eg statistics, consultation? If so, how do you plan to address this?

None required

How have you taken/will you take the potential impact and evidence into account?

N/A

How do you plan to monitor the impact and effectiveness of this change or decision?

Ongoing feedback on service satisfaction levels from customers regarding service delivery including Biannual Tenant Satisfaction Survey.