

Norwich City Council
SCRUTINY COMMITTEE

Item No 6

REPORT for meeting to be held on 15 October 2015

Assessment of the corporate plan against the programme of the new government

Summary:

This report considers how some of the information announced in the government's summer budget on 08 July 2015 may impact on key corporate activity

Conclusions:

At this stage it is difficult quantify and clarify the exact impacts upon council business. As details emerge, especially around the autumn statement and financial settlement, so existing plans, budgets and the medium term financial strategy will need to be kept under review

Recommendation:

Scrutiny are asked to consider the implications and suggest any other areas of particular concern within the key activities outlined in the Corporate Plan 2015-20. Scrutiny may wish to recommend to Cabinet areas where possible implications should be most carefully be monitored.

Contact Officer:

Russell O'Keefe, Executive head of strategy, people and neighbourhoods, 01603 212908

Report

Background

1. The [summer budget](#) was announced on 08 July 2015. This introduced or proposed a number of changes in national policy. Further details of public expenditure are planned for the autumn statement (currently due 25 November 2015). It is anticipated that unprotected areas of spending will model 25% and 40% reductions to meet the budget commitment of an estimated reduction of £13 billion by 2019/20.
2. What is not yet known is the amount of either our financial settlement or the date on which we will be notified. In terms of finances to deliver the priorities within the corporate plan for the next four years these pieces of information are critical. However, we have included some prudent assumptions within the medium term financial strategy (MTFS), that are guiding our 5 year transformation programme, which may need revising once the actual figures are known. If the reality is far worse than we have assumed then will need to bring forward additional options for savings forward quickly. We have a number of options for this.
3. Consequently we do not at this stage know how any financial settlement will exactly impact our recently approved [Corporate Plan](#) priorities for 2015/2020 beyond those examined in the other report to this committee on the transformation programme.
4. We do have an understanding of some of the wider implications upon residents of the city and some service specific implications where spelt out in the budget statement.

Council housing

5. From 2016 council rents will be reduced by 1% for each of the next four years. This will also apply to registered provider (RP) rents.
6. As part of the financial modelling of the Housing Revenue Account certain assumptions were made about affordable rent increases to support, for example, improvements to the housing stock and new build. Consequently a 1% per annum reduction will actually reduce the anticipated income by a higher percentage as an increase is built into the business plan. At this stage the details are being worked through to better understand the levels of service, new build and / or improvements affordable within a much reduced level income.
7. A national review of secure tenancies is planned with an assumption that “lifetime tenancies” will no longer be the norm. This is contrary the approach the council has been following up to now.
8. Council tenants earning upwards of £30,000 may be subject to a higher “market” rent. It is unclear at this stage if this is tapered and how high and for how long such rents should go. By way of context a two adult household where both parties work 40 hours per week on the new “national living wage” rate of £7-20 per hour would have a gross annual income of about £50 below this threshold. This will potentially result in affordability issues for tenants and put additional pressure on our income

collection, debt and money advice services and wider work to reduce inequalities.

Other housing and housing benefits

9. The 1% reduction is also likely to impact new build by RPs. Consequently targets around new build and especially affordable new build may come under significant pressure.
10. Changes to the Right To Buy and possible enforced sale of more valuable local housing may also significantly affect the ability to house residents.
11. From 2017 new Universal Credit claims from those aged 18 to 21 will, with some exceptions, exclude a housing element i.e. effectively removing housing benefit from this age group. Consequently the ability to obtain or retain a tenancy will become increasingly difficult for those out of work or falling out of short term work
12. It is anticipated that nationally there will be a short term at least increase in Discretionary Housing Payments, which should help us to provide short term emergency support for those most at risk of losing a home. However the local awards are not yet known and neither is the level of future demand

Welfare benefits, tax credits and wages

13. There are a number of headline changes to the benefit, tax and income regime. These will impact (some positive, some negative) many low income households and therefore their ability to support themselves, pay bills and the need for advice and support.
14. The new “national living wage” represents an increase to the national minimum wage but is still below that level set by the Living Wage Foundation (to which we are signed up). Increases will likely benefit households without tax credits or children who are at or near current minimum wage pay.
15. Changes to tax credits will however likely more than offset increases in basic wages and personal allowances for many households who rely on tax credits and other benefits which are to be frozen for four years.
16. We suggest that as well as impacting families and possibly increasing demand for advice and support services it may also take money out of the local economy and be a risk to the types of business most used by low income households.

Ongoing assessment and planning

17. Once more information is known on a number of these changes a more detailed picture can be prepared. We are continuing to model and assess the impacts of all these changes on the City and the Council so that we prepare as best we can and reshape approaches and services accordingly.