

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 21 January 2016 at 6.30 pm.

PRESENT

G R Aley (Chairman)
A Harrison (Vice-Chairman)

C J T H Brewis
T A Carter

P C Foyster

M J Pullen

In Attendance: The Interim Chief Accountant, the Housing Landlord Manager, the Senior Business Partner (CPBS) and the Democratic Services Officer.

Action By

33. DECLARATION OF INTERESTS

There were none.

34. FINANCIAL FORECAST OUTTURN Q2 2015/16 (ABRIDGED HRA ONLY)

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer) which provided information on the draft year end financial position of the Housing Revenue Account (HRA), as at 30 September 2016. This information was appended to the report at Appendix 1.

The report contained information on the projected full year financial performance of the HRA, which was included in the Financial Forecast Outturn Quarter Two 2015-16, presented to Cabinet on 8 December 2015.

The Interim Chief Accountant advised that changes to the core budget going forward were to be made during the financial year. The Governance and Audit Committee needed to understand this situation in respect of the HRA, and the report provided the background to the issues.

- Table 1 within the appendix showed major variances within the HRA due to the following: 1) The annual budget was compiled using the 30 year business plan as a reference. However some planning assumptions, whilst valid over a 30 year period, were not valid on an annual basis. Several areas of the budget were set this way and the forecast reset the position back to normal operating parameters. 2) Property maintenance costs in the budget included costs of services provided to clients other than the HRA. The use of recharges in the Budget had lead to confusion and this position had now

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been regulated.

- Table 2 within the appendix showed the statutory accounts presentation, and clarified the position in respect of individual costs and incomes.
- Information regarding the HRA Service Review was detailed within the appendix, and the Interim Chief Accountant explained a number of these.
- With regard to the HRA Capital Programme, the Committee was advised that the Decent Homes replacement activities were based on information from the HRA Codeman asset management system, The system included representative useful asset life assumptions and this in turn generated a forecast for replacement. The system had become unstable due to lack of support and a new system was currently being installed. The current budget was based on this forecast data but the actual management system included a further step which was to determine condition of the component. In order to ensure that only assets that required replacement due to failure were actioned in the programme, a change of useful life criteria was proposed. This would extend the replacement time for existing records which would allow individual component condition to be determined before replacement action was considered. The change would also reflect actual experience of asset life since the inception of self-financing to the HRA. A projection at Table 13 was included within the appendix. This had been drawn together after examining all existing Codeman forecast records in respect of condition to ensure that only assets that required replacement based on this criteria were in the programme.

The Committee reviewed and considered the information provided within the report and by officers.

AGREED:

That the report of the Executive Director Commercialisation be noted.

35. HRA - DRAFT BUDGET, MEDIUM TERM PLAN AND CAPITAL STRATEGY

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer) which provided information on the draft capital and revenue budget estimates, the medium term financial plan and the capital strategy.

The appendices to the report outlined the 2016-17 revenue and capital estimates for the HRA, the outline position to 2019-20, the

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medium term financial plan and the capital strategy. The medium term financial plan set out the framework within which the budget was to be set to ensure that it enabled the Council to achieve its own corporate objectives. The capital strategy set out the framework for the capital budget setting.

During recent years, the Council, alongside many public sector service providers had experienced financial pressures in various combinations; public sector funding cuts, all time low returns on cash deposits and a national economic downturn affecting jobs, housing and business growth. During this same period the basis on which the public sector was funded had undergone unprecedented reform, radical changes that affected the Council's funding financial position both directly and indirectly included National Welfare Reform, Localisation of Council Tax Relief, Business Rates Retention, New Homes Bonus and reduction and in some cases removal of a range of grant funding sources. Each change brought elements of uncertainty in terms of impact.

Since the inception of self-financing, central government changes had had a major impact on the 30 year Business Plan of the HRA. The increase in discounts available to tenants had lead to increased sales of units, national rent policy has changed twice in the last two years, pay to stay regulations were coming through and charges for higher value property in respect of forced sale on void were also coming through Parliament.

Despite these challenges, and as a result of the Council's prudent financial management, the HRA had been positioned to secure a sustainable financial future across the medium term with no dependency on reserves. This position was enabling the Council time to further develop the financial strategy and to identify and deliver a clear replacement programme in line with the 1 for 1 replacement agreement entered into with Central Government.

This change had already started with the formation of the Housing Growth Group and some changes had been delivered early, with accelerated savings, in respect of the proposed changes in the asset replacement policy

Further changes were being considered including the formation of a property services function for the authority which would include asset management and had responsibility for the capital programme including the proposed affordable housing projects, planned maintenance, works on void properties and responsive repairs.

The Interim Chief Accountant advised that the biggest issue

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currently was the setting of the rent for the forthcoming year. Under normal circumstances, a recommendation for the rent policy for the forthcoming year would have been made. The Government was currently progressing a bill through Parliament to make the National Rent Policy mandatory, but as this had not yet received Royal Assent, no determination for the HRA had been issued. The three options currently available to the Authority were:

1. To follow the headline changes to policy with regard to rent reduction, and decrease all rents by 1%.
2. To do nothing until the bill has gone through and the National Rent Policy has been set.
3. To continue with the local rent policy and increase all rents.

The Committee felt that the 'do nothing' option was currently the best choice and that this should be its recommendation to the Council.

AGREED:

- a) That the HRA draft capital and revenue budget estimates, the medium term financial plan and the capital strategy be forwarded for consideration by the Cabinet; KT
- b) That with regard to the National Rent Policy, it be recommended to the Council that it do nothing until the Welfare Reform and Work Bill had gone through Parliament and the National Rent Policy had been set; and KT
- c) That it be recommended to the Council that the revisions to the Asset Management Plan, particularly in respect of useful life changes proposed for current and future use, be adopted. KT RS

(The Housing Landlord Manager left the meeting following discussion of this item).

36. WEEKLY COLLECTION SUPPORT SCHEME

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer) which provided information on the funding provided to support weekly waste collections over a five year period.

In January 2009 a survey of residents was conducted and 67.5% made it clear they would not be in favour of changing to fortnightly waste collections. On 22 November 2012 the Department for Communities and Local Government confirmed that a bid from South Holland District Council for Weekly collections support had

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been successful. £1,768,050 was granted over three years commencing in the 2012/13 financial year

- £355,462 for 2012/13
- £585,514 for 2013/14
- £827,074 for 2014/15

The funding was conditional on the satisfactory and timely provision of evidence that the scheme has the full support of the council. A further condition was that weekly waste collections would continue for a minimum of 5 years and that promotion of the scheme to residents would be carried out.

More detail on the financial information was provided within the report.

AGREED:

- a) That the report be noted; and
- b) That the following outcomes be reported back to the Cabinet:
 - i. That the Committee considered that the scheme conditions had been fulfilled and that monies had been expended in line with these conditions; and
 - ii. That the Committee considered that the remaining balance of funds should be released from Reserves in the 2015/16 financial year

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37. SPECIFICS OF THE TREASURY MANAGEMENT STRATEGY

The Interim Chief Accountant (Deputy S151 Officer) provided the Committee with a presentation on specifics of the Treasury Management Strategy, and the details of this were noted.

(The meeting ended at 8.34 pm)

(End of minutes)