

Executive – 7 July 2016

Present: Councillor Edwards (Vice-Chairman) (In the Chair)
Councillors Habgood, Parrish and Mrs Warmington

Officers: Shirlene Adam (Director - Operations), Jo Nacey (Finance Manager), Paul Harding (Corporate Strategy and Performance Manager), James Barrah (Director – Housing and Communities), Lucy Clothier (Accountant) and Richard Bryant (Democratic Services Manager)

Also present: Councillors Aldridge and Ms Lisgo
Anne Elder, Chairman of the Standards Advisory Committee

(The meeting commenced at 6.15 pm.)

30. Apologies

The Chairman (Councillor Williams) and Councillors Beale and Berry.

31. Minutes

The minutes of the meeting of the Executive held on 9 June 2016, copies of which had been circulated, were taken as read and were signed.

32. Declarations of Interest

Councillor Edwards declared a personal interest as the Chairman of Governors of Queens College. Councillor Parrish declared a personal interest as the District Councils' representative on the Somerset Pensions Committee.

33. Financial Monitoring – Outturn 2015/2016

Considered report previously circulated, relating to the Council's financial performance for the 2015/16 financial year. The outturn figures included were provisional subject to external audit review, the findings of which would be reported to the Corporate Governance Committee in September 2016.

Monitoring the budget was an important part of the Council's performance management framework. Crucially it enabled remedial action to be taken in response to significant budget variances, some of which might be unavoidable. It also provided the opportunity to assess any consequent impact on reserves and the Council's Medium Term Financial Plan.

The revenue outturn position for the financial year 2015/2016 was as follows:-

- The General Fund (GF) Revenue Outturn position for 2015/2016 was a net underspend of £280,000 (2.07%). The underspend had increased since the end

of quarter 3 due to significant variances in the Street Cleansing budget and Interest Cost and Income.

- The Housing Revenue Account (HRA) was a 'Self-Financing' account for the Council's Housing Landlord function, which was budgeted to 'break even' (net of approved transfers to/from HRA Reserves). The HRA Outturn for 2015/2016 was a net underspend of £476,000 (1.8% of gross income).

Reported that the year-end financial statements reported that Deane DLO had made an overall profit of £47,000 after contributing £101,000 to the GF. This surplus had been transferred to the DLO Trading Account Reserve which had increased the reserve balance to £365,000.

The Deane Helpline had reported a net deficit of £67,000 for the year, which was an underspend of £13,000 against the final budget and represented the net cost of the service to the GF.

Under regulations the Council had to report how its Licencing and Land Charges services performed in the financial year. This was set out in the table below. These services set fees and charges based on estimated reasonable costs, and aimed to break even each year. When this did not occur, the Council could transfer any surplus/deficit to a self-financing reserve. During the next round of fees and charges setting, adjustments would be made with the view to achieving a break-even position on a three year rolling basis.

Licensing and Land Charges Self-Financing Reserves

	Balance Brought Forward £	under/(over)-recovery in 2015/16 £	Balance Carried Forward £
Land Charges	(24,680)	(31,480)	(56,160)
Licencing	23,180	25,870	49,050
Taxi-Licencing	(3,640)	(16,000)	(19,640)

With regard to the budget for the Unparished Area of Taunton, reported that although £46,170 had been allocated to a variety of schemes during the 2015/2016 financial year, £55,610 was available for allocation during the current year.

The capital outturn position for 2015/2016 was as follows:-

- The General Fund profiled Capital Programme at the end of 2015/2016 was £17,345,000. The actual expenditure on the Capital Programme during 2015/2016 was £7,244,000, with £9,976,000 being carried forward to support delivery of approved schemes in 2016/2017. This would leave a net underspend of £125,000 (0.7%) against the overall programme.

Noted that the above figures had been amended slightly from those reported to the Corporate Scrutiny Committee following final completion of the 2015/2016 Statement of Accounts.

- The HRA approved Capital Programme at the end of 2015/2016 was

£23,759,000. This related to schemes which would be completed over the next five years. The actual expenditure on the Capital Programme during 2015/2016 was £11,391,000, with £10,214,000 for planned investment to implement approved schemes in future years. A net underspend of £2,154,000 (9%) was reported against the overall programme.

Further reported that the GF Reserves balance as at 31 March 2016 stood at £2,113,000. The balance remained above the minimum reserves expectation within the Council's Budget Strategy (£1,600,000).

The HRA Reserves balance as at 31 March 2016 stood at £2,675,000, which was above the minimum level (£1,800,000) set within the Council's Budget Strategy and the HRA Business Plan.

The total General Fund Earmarked Reserves balance as at 31 March 2016 was £16,722,000, and for HRA Earmarked Reserves the balance was £4,985,000, representing funds that had been set aside for specific purposes to be spent in 2016/2017 or later years. This had grown largely in respect of funds committed to support growth and infrastructure development, future capital programme spending, the Business Rates funding volatility, and funding set aside to support service restructuring and transformation projects. The majority of this was planned to be spent over the next two years, although experience had shown this might be over a longer period.

Noted that the Outturn Report had also been considered by the Corporate Scrutiny Committee on 30 June 2016 and a summary of the points made by Members was circulated for the information of the Executive.

Resolved that:-

- (1) The Council's financial performance and end of year position for the General Fund and the Housing Revenue Account, including pre-approved carry forwards and transfers to earmarked reserves be noted; and
- (2) Full Council be recommended to:-
 - (a) Note the reported General Fund Revenue Budget underspend of £280,000 in 2015/2016 and the General Reserves Balance of £2,113,000 as at 31 March 2016;
 - (b) Approve the General Fund Revenue Budget Carry Forwards totalling £892,000;
 - (c) Approve a General Fund Capital Programme Budget Carry Forward totalling £9,976,000;
 - (d) Approve a Housing Revenue Account Capital Programme Budget Carry Forward totalling £10,214,000;
 - (e) Approve £333,000 of Supplementary Budget allocations in 2016/2017 for the Housing Revenue Account, utilising 2015/2016 underspends, for the

following areas:-

- i. £33,000 to fund an extension to the employment of the Welfare Reform Officer to March 2018;
- ii. £38,000 to fund an extension to the additional Debt and Benefit Advisor to March 2018;
- iii. £198,000 to increase the Estate Officer capacity by one in each area until March 2018;
- iv. £21,000 to fund an extension to the Mental Health support until March 2017;
- v. £25,000 to provide funding to Pilot a dedicated part-time resource to roll-out, drive and oversee the 'Chill and Chat' peer support group to vulnerable women across all three One Team areas; and
- vi. £18,000 to increase funding available to Community Development Officers in each of the One Team Areas for 2016/2017.

34. Quarter 4 2015/2016 Performance Report




Considered report previously circulated, which detailed the performance of the Council for the final quarter of 2015/2016.

Regularly monitoring performance was a key element of the Council's Performance Management Framework. There were 70 individual measures which were reported within the Corporate Scorecard.

The Taunton Deane Corporate Scorecard contained details of the Quarter 4 2015/2016 position against the Council's key priorities, finance and corporate health indicators. It was stressed that this information was the situation at 31 March 2016.

Each action/measure had been given a coloured status to provide the reader with a quick visual way of identifying whether particular measures were on track or whether there might be some issues with performance or delivery or an action.

The table below provided an overview of the reported indicators within the Corporate Scorecard:-

GREEN 	AMBER 	RED 	NOT DUE	NOT AVAILABLE	TOTAL
43 (41)	8 (12)	7 (7)	9 (6)	3 (4)	70

(The figures in brackets related to Quarter 3)

Submitted a comprehensive summary of each of the 70 performance measures.

The seven indicators on the scorecard allocated 'red' status were:-

- Emergency Housing repairs – Response times;
- Urgent Housing repairs – Response times;
- Staff sickness;
- Rent arrears owed by current tenants;
- Housing Services general need tenants' satisfaction with landlord;
- Visitors to Taunton Town Centre; and
- The number of affordable housing units delivered.

Noted that the first three items on the above list also had 'red' status at the end of Quarter 3.

Reported on the actions that would be taken in an attempt to meet the performance targets that had been set for these seven indicators.

The Performance Report had been considered by the Corporate Scrutiny Committee on 30 June 2016 and some of the views expressed at that meeting were submitted.

Resolved that the report be noted.

35. **Housing Revenue Account (HRA) Business Plan Review**

Considered report previously circulated, which provided an update on the progress of the review of the Housing Revenue Account (HRA) Business Plan.

The Business Plan contained the aims and objectives of the HRA, and included a financial model of the next 30 years. A number of largely external changes had meant that a full refresh of the Business Plan was necessary. The report therefore identified the changes and the impact of these changes.

A copy of the updated Business Plan was included with this report, along with a new Asset Strategy and Development Strategy.

The new Business Plan was more robust than previously with the inclusion of better quality data, in particular around the Council's assets. However, the financial margins were now much tighter with the plan relying on the delivery of savings, which would require the imposition of continuing management vigilance in order to maintain a viable Business Plan.

The Business Plan had brought everything together and had set out the aims and objectives of the HRA. The review had updated strategic objectives for the service, which were to provide quality homes, support the most vulnerable, provide a better service and build a stronger business.

The review had also detailed the way in which the HRA would work in the future, including setting out a new operating model that would allowed tenants, where appropriate, to move into additional services such as shared ownership. This model

showed the way in which the HRA would support tenants into and through the Housing service.

Following consultations with Members, the Tenant Services Management Board, the Tenants Forum and all staff members in the Housing and Communities Directorate, the following conclusions had been established:-

- The HRA's Core Business should be social rented housing for the most vulnerable in our communities.
- The proposed new objectives for the HRA were appropriate.
- That much could be done to improve the customer experience of the Housing Service.
- Subject to continuing commitments with repairs and maintenance service standards, that it would be acceptable to prioritise new build projects over some maintenance expenditure.
- The priority for the tenants groups was not to allow standards in the Council's existing housing to fall.
- To make better use of current repairs and maintenance service in order to free up resources.
- There was an appetite for looking at housing products closer to the market in order to generate additional income on new build/regeneration schemes.
- The current revised debt repayment approach was acceptable based on treasury management advice and to achieve a viable Business Plan and protect services.

Due to a number of changes driven by both internal and external factors, which included a reduction in rent by 1% for four years, rental income by 2042 was likely to be reduced by 39%. Noted that there was likely to be a reduction in income of £185,000,000 over the next 30 years. This substantial impact on the financial position of the Business Plan had meant the Council had to consider some corrective action to mitigate these impacts within the updated Plan.

The new financial position and baseline assumptions of the HRA Business Plan included the following:-

- Right to Buy (RtB) – This had been updated to include 60 sales per annum for a three year period, followed by a reduction to 30 sales a year. This would result in a reduced number of dwellings in the Housing stock and reduced rental income.
- Pay to Stay – The introduction of this meant that tenant households of local authorities earning over £31,000 per annum must be charged a higher rent, depending on their income, up to market, or near market rents.
- Welfare Reform – This included a provision for lower income for a period of three years due to an increase in bad debt. This would cover the roll out of Universal Credit in Taunton Deane.
- Maintenance – Inclusion of a slight increase to major works spend following the recent Stock Condition Survey as well as a reduction over five years to the day to day spend on maintenance.

- New Developments – Committing a budget over the full 30 years of £77,000,000, which equated to 15 units per year at an average rate of £130,000 per unit, rising with inflation.
- Disabled Facilities Grant – A budget reduction from £435,000 per annum to £300,000 per annum over a five year period.
- Capital Improvements - This once separate budget for Sustainable Energy had been 'mainstreamed' into the heating replacement programme and would now be included within the core capital programme. The Estate Improvements annual budget of up to £50,000 would be continued, which the Council had acknowledged was very important to tenants.
- Management Costs – This included efficiency savings of £253,000, which had been identified from management and service costs as well as a new permanent provision of £140,000 per annum was being included for schemes currently being covered with temporary funding.
- Debt – Where the Council's reserves allowed debt was being repaid, otherwise it would be refinanced. Also included were provisions for long term debt repayment to be spread over 60 years. This should result in the debt being reduced to less than £50,000,000 by year 30.

Further reported that the Business Plan faced a number of risks and uncertainties that were not currently quantifiable and so had not been included within the Business Plan finances. These included the introduction of Pay to Stay, selling off Higher Value Void Stock, the introduction of Local Housing Allowance Rates and the full roll out of Universal Credit replacing Housing Benefit.

The HRA had a well-established development programme and to ensure a continuing and deliverable programme, and the best use of the funding, a Development Strategy had been established which would allow opportunities for the development pipeline and other new challenges to be identified. A copy of the Development Strategy was attached as an appendix to the Business Plan for the information of Members.

The review had also identified some future drivers for the HRA priorities, which included dealing with the loss of housing stock through Right to Buy, the Council's investment priorities and dealing with non-traditional stock and poor performing stock as identified in the Asset Management Strategy.

Through the Asset Management Strategy, the Council had identified its objectives and principles in relation to active asset management and these included:-

- Objectives:-
 - Good quality homes and environmental standards;
 - Strengthening financial viability; and
 - Improving social sustainability.
- Principles:-
 - Using information on performance to target investment; and

- The use of Options appraisals where performance was poor – prior to long term investment decisions.

This strategy had been developed so that decisions could be made in order to fund the contribution to Government, but also to start active asset management and stock churn. This was in order to make sure that the housing held was right for both the HRA and tenants.

This tool had been created to take all of the data and assess the Housing stock using this information. This did not indicate what stock should be sold but showed which groups should have an options appraisal. Following an appraisal, it was the Council's intention that decisions should be made regarding the disposal of vacant dwellings or related assets through an Executive Portfolio Holder decision in conjunction with the Director of Housing and Communities.

A copy of the Asset Strategy was also submitted as an appendix to the Business Plan for the information of Members.

The financial position of the HRA Business Plan had changed considerably from a forecasted reserves balance of £156,000,000 at 2042 (year 30 of the existing Business Plan) to £18,000,000 at 2046 (year 30 of the new Business Plan). This was largely due to external changes such as the national rent policy, which had greatly reduced income expectations.

These changes meant that the HRA would not be able to continue the financing of the repayment of the current self-financing loans by year 2030 (year 18 of the Business Plan 2012) without a significant reduction in service quality.

The Council's Treasury Advisors had confirmed that the HRA would have a shortfall in cash when the loans were repaid. It would not therefore be beneficial to refinance the existing loans immediately and replace them with new longer term loans. Instead, it had been recommended to refinance the loans on maturity as and when needed, over the period required.

The current balance of HRA General Reserves was £2,686,000, which was £886,000 over the minimum recommended balance of £1,800,000. These forecasted deficits would reduce the HRA general reserves balance to £1,800,000 in 2018/2019. This meant that all of the available funding in general reserves (over the minimum balance) was needed over the next two years, and no further allocations would be possible.

As a result of the review, an Action Plan had been developed based on the HRA Business Plan's key priority areas of providing quality homes, supporting the most vulnerable, providing a better service and building a stronger business. This detailed the future action for each priority and the sponsor for that priority.

Resolved that Full Council be recommended that:-

Business Plan:

- (1) The Housing Revenue Account Business Plan 2016-2046 be approved;

Finance:

- (2) The policy for voluntary revenue provision for the repayment of capital debt in the Housing Revenue Account be changed to be over the average life of Housing Revenue Account assets (estimated at 60 years);

Development Strategy:

- (3) The new Housing Revenue Account Development Strategy be adopted;
- (4) A supplementary estimate of £950,000 be added to the Housing Revenue Account Social Housing Development Fund capital programme in 2016/2017. This would bring the total development programme to £1,950,000 which represented the 15 units in the new Development Strategy to be delivered in 2017/2018. This would be funded through capital receipts and revenue funding in line with the Business Plan; and

Asset Strategy:

- (5) The new Housing Revenue Account Asset Strategy be adopted

36. **Executive Forward Plan**

Submitted for information the Forward Plan of the Executive over the next few months.

Resolved that the Forward Plan be noted.

(The meeting ended at 7.53 p.m.)