

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE OVERVIEW AND SCRUTINY - RESOURCES - 7 NOVEMBER 2022

(To be read in conjunction with the Agenda for the Meeting)

Present

Cllr Stephen Mulliner (Chair)	Cllr Peter Martin
Cllr Joan Heagin (Vice Chair)	Cllr John Neale
Cllr Jerome Davidson	Cllr Peter Nicholson
Cllr Chris Howard	Cllr George Wilson

Apologies

Cllr Roger Blishen and Cllr Brian Edmonds

Also Present

Councillor Mark Merryweather

15 APOLOGIES FOR ABSENCE AND SUBSTITUTES (Agenda item 1)

Apologies for absence had been received from Cllrs Roger Blishen and Brian Edmonds.

There were no substitutes attending.

16 MINUTES (Agenda item 3)

The Minutes of the meeting held on 27 September 2022 were agreed as a correct record, subject to a correction to show that Cllr Peter Nicholson was not present at the meeting.

17 DECLARATIONS OF INTERESTS (Agenda item 2)

There were no declarations of interests in relation to items on the agenda.

18 QUESTIONS FROM MEMBERS OF THE PUBLIC (Agenda item 4)

There were no questions from members of the public.

19 QUESTIONS FROM MEMBERS (Agenda item 5)

There were no questions from Members.

20 MEDIUM TERM FINANCIAL PLAN (MTFP) MID-YEAR REVIEW (Agenda item 6)

The Financial Services Manager, Rosie Plaistowe, presented the mid-year review of the Medium Term Financial Plan (MTFP), which had been carried out in view of the high level of economic volatility and uncertainty. In short:

- The General Fund had shown a £452k net positive variance at the end of the 2021/22 financial year.

- Key variances against budgets in the 2021/22 out-turn had been identified to assess the potential impact on 2022/23.
- There were a number of key pressures on the current and longer-term financial plans including inflationary pressures, the impact of the cost of living crisis on Waverley's businesses and residents, the re-tender of the leisure centre operator contract, and recruitment and retention of staff.
- There was a forecast £3.4m budget shortfall over the period of the MTFP, including a shortfall of £806k for 2023/24 which still needed to be closed through the budget-setting process.
- The impact on the capital programme of inflationary pressures had been assessed and savings identified on approved projects within the 2022/23 budget. Future capital projects would be assessed carefully against corporate priorities and funding opportunities.
- The report identified risks to delivery of the 2022/23 budget and the MTFP, including the adequacy of reserves, the impact of inflation and interest rates, and continued uncertainty relating to the timing of the Fair Funding Review.

In response to questions from Committee members, officers advised:

- An application had been submitted to the Museum Estate and Development Fund (MEND) for funding to undertake vital maintenance to Wilmer House, which housed the Farnham Museum. The outcome of the application was expected in March 2023.
- Annexe 1 showed the forecast year-end position based on year-to-date actuals and forecasts as at 30 September 2022. This showed a £41k positive variance against budget overall. The impact of inflation had been off-set by increased treasury investment income.
- The M&Co property at 69 High Street, Godalming was being developed in line with the planning permission. The timing of letting the retail unit would depend on the development timetable and separation of the retail unit from the residential construction.
- The announcement of the local government finance settlement for 2023/24 was not expected until closer to Christmas. The 'negative government grant' was still on the agenda, but the Fair Funding Review had been delayed again.
- Income from green waste and Careline subscriptions had declined as the number of subscribers had reduced. This was the first year that green waste subscriptions had declined and these had previously not been shown to be particularly price sensitive.
- It was noted that Freedom Leisure had recently announced the closure of two swimming pools due to increases in energy prices. Places Leisure had resumed paying the management fee, but all leisure centre operators were facing challenging conditions and it would be important to keep up open communications between the council and contractor.
- The Hardship Fund had been increased by £50k in February but it was not expected that this would need to be increased further in the short-term. The third tranche of the Household Support Grant was expected shortly.
- There had been previous exercises undertaken to identify the geographical distribution of discretionary council spending and income generation to address the issue of 'fairness' across the borough. The outcomes had not

revealed any bias in spending decisions but did not dispel perceptions of unfairness and were potentially misleading.

- A new Homelessness Reduction Strategy was being developed, to come forward in 2023, which would respond to an anticipated reduction in the Homelessness Prevention Grant from 2023/24.

Having considered the report and responses to questions, the Committee RESOLVED to note the report on the MTFP mid-year review, including the 2022/23 forecast General Fund position, the emerging pressures and risks identified, and the impact on the General Fund capital programme.

21 HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN STRATEGIC REVIEW (Agenda item 7)

The Executive Head of Housing Services, Andrew Smith, introduced the report setting out the proposals arising from the strategic review of the HRA Business Plan. The strategic review had been requested by Council in February 2022 to address the impact on the business plan of changes to the planned rental income streams.

The aim of the HRA Business Plan was to support the Council's priorities of delivering the Landlord Services operations, maintaining council properties to meet health and safety priorities for tenants, meeting zero-carbon commitments on housing stock, and continuing the programme to build new affordable homes in Waverley, whilst ensuring long-term financial sustainability.

The Executive Head of Housing Services outlined the key changes in the revised HRA Business Plan:

- Assumptions on rental income – since the original Business Plan was approved in 2012, changes in government rent policy had forced a real rent reduction between 2016/17 and 2019/20 and subsequently capped rent increases at CPI+1%. The current high levels of inflation meant that it was not feasible to set rent increases at this level and rent increases would need to be set with a long-term view to balance affordability with ensuring that the Business Plan was not unreasonably deprived of resources.
- Debt repayment and borrowings – It was no longer possible to be free of borrowings after 18 years, and the council would need to borrow to fund repayments on the original debt, and to free up rent income to fund the housing maintenance and energy efficiency programme.
- Funding of the new build programme from Right to Buy sales receipts and borrowing, with a subsidy from the (new) New Development Impact Reserve until rent income equalises with annual costs.
- Restructuring of reserves within the HRA to better meet requirements.
- Transfer of garages from the HRA to General Fund to reflect more accurately that garages were no longer mostly rented to council tenants.

In response to questions from Committee members, officers advised:

- Under the revised Business Plan, the original debt would be repaid by 2032/33.

- Eight new build development schemes were currently in the pipeline, of which Ockford Ridge Site C was the only one in contract. Separate reports for the remaining schemes would come forward for approval in due course.

Having considered the revised HRA Business Plan, Cllr Heagin felt that it would be helpful to have a clearer summary statement in the report of the HRA strategy and priorities, which would be funded by the revised HRA Business Plan.

The Committee RESOLVED to note the revised strategy and HRA Business Plan 2022/23 – 2052/53, and the proposed restructuring of the HRA reserves.

The meeting commenced at 7.00 pm and concluded at 8.15 pm

Chair