

Matter which the Chairman has decided is urgent by reason of need to inform Cabinet of the Scrutiny Committees' responses to the initial budget proposals

Agenda Item No.

THE VALE OF GLAMORGAN COUNCIL

CABINET: 9TH JANUARY, 2017

REFERENCE FROM CORPORATE PERFORMANCE AND RESOURCES
SCRUTINY COMMITTEE: 13TH DECEMBER, 2016

“ INITIAL HOUSING REVENUE ACCOUNT BUDGET PROPOSALS 2017/18
(MD) -

As in previous years the Scrutiny Committee was now considering this matter as the lead Scrutiny Committee overseeing the Council's initial budget process.

The Committee considered the below table which compared the original budget with the proposed amended budget.

	2016/17 Original Budget	2016/17 Proposed Amended Budget	Variance Favourable (-) Adverse (+)
	£'000	£'000	£'000
Housing Revenue Account	(22)	768	+790

The net operational budget for 2016/17 had changed from a surplus of £22,000 to a deficit of £768,000. A review of the current budget had found potential net savings for the year of £2.51m. The main reason for this was that the estimated increase in the provision for bad and doubtful debts had been reduced by £1.018m as the Universal Credit and its effects were not likely to impact on Housing rent collection in 2016/17. There had been little increase in the actual level of rent arrears in this financial year and it was not anticipated that the provision would need to be substantially increased. In addition, there had been a reduction in the Repairs and Maintenance budget of £400,000 which partly related to an external painting programme which was now due to commence in 2017/18 following the completion of the WHQS external works programme. A reduction in Capital Financing Costs of £649,000 was anticipated, there had been an adjustment in central recharges resulting in a decreased charge of £269,000 and the projected charge for Council Tax at void properties was £40,000 less than anticipated. Other budgets that were anticipated to outturn with an underspend were Incentive to Move £20,000, survey costs £65,000, compliance costs £42,000 and software costs of £40,000. There

were other minor reductions of £68,000. These savings had been offset by a reduction in expected rental income from dwellings of £101,000.

The balance on the HRA reserve brought forward as at 1st April, 2016 was £1.468m and was higher than required. In order to minimise the amount of unsupported borrowing required in year to fund the Housing Improvement Programme, it was prudent to use HRA revenue reserves up to a minimum balance. The level of Capital Expenditure funded from the Revenue Account (CERA), had been recalculated at £6.231m, which was an increase of £3.3m. This would leave a balance on the HRA reserve at year end of £700,000, which was in line with the minimum amount required which had been assessed as at least £600,000.

The Budget Strategy for 2017/18 outlined that, in order to establish a baseline, services should prepare revenue budgets for next year based on the cost of providing the current level of service and approved policy decisions. This meant that the cost of price increases and pay awards should be included.

Due to the nature of the HRA in that it was ring fenced and any growth had to be funded from the balance no cost pressures had been formally identified.

The proposed 2017/18 budget was set out at Appendix 1 to the report.

The charges for rent and other services provided by the Housing Service were reviewed annually. These would be subject to a future report. Set out below was a table summarising the original budget for 2016/17, with the proposed budget for 2017/18:

2016/17 Original Budget	Inflation / Pay Award	Committed Growth / (Savings)	Estimated Rent Increase	Increase/ (Decrease) in CERA	2017/18 Proposed Budget
£000	£000	£000	£000	£000	£000
(22)	136	(138)	(579)	700	97

A provision for general inflation included an allowance of 1% pay awards in 2017/18. 1% increase in pay amounted to approximately £26,000.

The net saving of £138,000 was due to a number of factors:

- An increase in Capital Financing charges of £223,000 in relation to unsupported borrowing being taken out in 2016/17 to fund the Housing Improvement Programme.
- An increase in staff costs for increments and staff changes of £79,000.
- A reduction of £290,000 in central recharges.
- A reduction in the cost for Council Tax at void properties of £67,000.
- Various other minor savings of £83,000.

An increase in Capital Expenditure from Revenue Account (CERA) to finance the Housing Improvement Programme of £700,000 had been assumed. The amount of revenue contribution required was dictated by available revenue balances and the value of the Housing Improvement Programme. Adjusting the level of CERA by this amount would leave a balance on the HRA Reserve of £603,000, which was in line with the current minimum requirement.

As in the case of the other initial budget proposals considered by this Scrutiny Committee, any comments by the Council's Scrutiny Committees were required to be made by no later than 13th December, 2016. The Budget Working Group would consider any subsequent recommendations and would be submitted to Cabinet to enable its final Initial Budget proposals by no later than 20th February, 2017.

Having considered the report, it was subsequently

RECOMMENDED -

- (1) T H A T the revised Housing Revenue Account budget for 2016/17 be noted.
- (2) T H A T the Initial Housing Revenue Account Budget Proposals for 2017/18 be noted.

Reasons for recommendations

- (1) In order to monitor the amended Housing Revenue Account Budget.
- (2) To inform Cabinet of the Scrutiny Committees' deliberations before making their final proposal on the Initial Housing Revenue Account Budget for 2017/18."