

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – COMMUNITY 15 JANUARY 2013

ESTIMATES 2013/14

1. INTRODUCTION

- 1.1 Attached are the draft estimates for 2013/14, which were discussed at an informal meeting of Scrutiny Committee - Community on 12 December 2012
- 1.2 This report outlines the strategic framework within which the estimates have been prepared, changes in accounting practices, which affect all budgets and detailed reasons for any significant changes in the Management Unit estimates.
- 1.3 The budget has been amended to reflect the new management structure. However the savings target for services, have in many cases been included as a one line saving to reflect the fact that the detail has yet to be finalised.

2. BUDGET FRAMEWORK

- 2.1 With regard to inflation, an overall allowance of £300,000 has been set aside for next year. This includes an assumption with regard to increases in pay and increases for utility costs and contracts being offset by increases for fees and charges. For the following three years an annual inflation allowance of £300,000 has also been included for planning purposes. The inflationary assumptions that have been included for next year are as follows:

• Pay Award	1.0%
• Pay – Increments	0.5%
• Electricity	8.0%
• Gas	20.0%
• Oil	12.0%
• Water	5.1%
• Insurance	3.0%
• Rates	2.0%
• Fuel	6.0%
• General Inflation	0.0% - see para 2.2 below
• Income (excluding car parks)	2.5%

- 2.2 As a means of finding efficiency savings many non-pay budgets will again not be fully increased for inflation. There will be some exceptions to this in particular where there are ongoing contractual arrangements in place and where the Council has to meet the full price increase e.g. insurance and fuel. Recently released figures show that the rate of Consumer Prices Index (CPI) inflation in the UK remained unchanged at 2.7% during November. Retail prices index (RPI) inflation, which includes housing costs, fell to 3% during November, down from 3.2% in October.
- 2.3 With regard to interest rates the Bank of England has continued to put the base rate of interest on hold at only 0.5% since March 2009. Most analysts are predicting that interest are likely to remain at their historically low levels in the short term with perhaps only a modest increase towards the end of the next financial year. The low levels of interest rates affect the City Council in different ways. On the negative side the Council has to assume low investment returns on cash deposits. Conversely, on the positive side, the low interest rates currently prevailing means that the cost of short term borrowing remains low. This is

particularly important to the City Council now that it has to make use of borrowing in order to fund a significant part of its capital programme.

2.4 The Government has now announced the provisional two-year local government finance settlement covering 2013/14 and 2014/15. For Exeter the guideline figures are as follows:

- Formula Funding 2013/14 £7,811,885 (decrease 5.4% against 2012/13 'adjusted' formula funding)

The provisional settlement now indicates that in overall cash terms our 2013/14 formula funding will decrease by £445,922 against the 2012/13 'adjusted' formula funding amount of £8,257,807.

2.5 On 8 October 2012, the Chancellor of the Exchequer announced a £450 million fund for local authorities who decide to freeze council tax next year. If they do, councils, police and fire authorities will stand to receive £225 million of funding in both financial years 2013/14 and 2014/15, equivalent to raising their 2012/13 council tax by one per cent. In addition, in 2013/14 the Government will propose to lower the local authority tax referendum threshold to two per cent. After freezing its council tax for the last 2 years, the budget strategy for next year assumes that council tax will increase by 2%, which will raise an extra £96,000.

2.6 The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth. The scheme provides local authorities with a New Homes Bonus grant, equal to the national average for the council tax band on each additional property and paid for the following six years as an un-ring-fenced grant. There is also an enhancement for affordable homes. Whereas previously DCLG has allocated additional funding for the scheme in 2011/12 and 2012/13, this is no longer the case from 2013/14 onwards with funding for the scheme being 'top-sliced' from mainstream grant funding.

2.7 To date the Council has received New Homes Bonus of £389,165 in 2011/12, £1,322,664 in 2012/13 and is expecting to receive a further £2.3 million in 2013/14. The Executive has previously determined how the New Homes Bonus funding will be allocated, with 30% and 50% of the funding going towards community projects and major infrastructure respectively after a top slice for capacity building and neighbourhood planning.

2.8 The Council has previously decided not to use any of its New Homes Bonus allocation to fund any of its revenue budget services. Members may however wish to consider using part of the New Homes Bonus funding in order to meet some of the Council's additional revenue costs that have arisen as a result of more homes being built e.g. more refuse bins to collect, more streets to keep clean etc.

2.9 It is expected that the available resources for the General Fund Capital Programme (other than borrowing) over the next 5 years will total about £3.3 million and the capital programme that can be funded other than by borrowing is therefore still quite substantial. In terms of the General Fund, the currently approved capital programme and proposed new bids total almost £22.2 million over the next 4 years with a resultant borrowing requirement of £18.9 million. The current extra revenue cost of borrowing are £50,000 for each £1 million that is borrowed which means the future borrowing costs of the Council's capital programme are significant and must be met within the Council's overall revenue budget. The Capital Programme must therefore be continually reviewed with a view to reducing the programme wherever possible. With regard to proposed new capital bids, approval must be limited to those that are only absolutely essential. New bids should only be successful if they meet strict criteria such as meeting a statutory or health and safety requirement, or if there is a compelling business case to show that they will save costs or generate extra revenue in the future. A list of the proposed new schemes for Scrutiny Committee Resources is attached at Appendix 1.

2.10 The changes in respect of 2013/14 Fees and Charges for the budget are included at Appendix 2.

3. REVENUE BUDGET SAVINGS

3.1 The Medium Term Financial Plan currently indicates that the savings required next year are £890,000 with further savings required in future years. It is anticipated that the savings required for next year will be met from the current programme of structural change and service rationalisation. The required savings over the medium term are set out in the table below:-

3.2

Year	Required Savings £000
2013/14	890
2014/15	653
2015/16	665
2016/17	649
Total	2,857

4. TRADING ACCOUNTS

4.1 A decision has been taken to reintegrate the Trading Account Services back into the General Fund. This will enable Members to have greater transparency of the costs associated with the services affected (Parks and Cleansing). Rather than the Budget showing a one line transfer of the net cost of the service, the full breakdown of costs and income are included within each Management Unit.

5. KEY REVENUE BUDGET CHANGES PROPOSED FOR 2013/14

5.1 The Revenue budgets are attached at Appendix 3. The proposed budgets reflect a combination of budget increases and savings and the key changes are as follows:

81A1 ENVIRONMENTAL PROTECTION

The management restructure has reduced pay costs in this unit by £12,780.

Senior Management recharges to this unit have increased by £35,000 to reflect the new structure, offset by a £32,000 reduction in pay costs charged directly to this unit.

Corporate support service recharges to this unit have reduced by £18,000.

Drainage works are no longer undertaken by this unit resulting in a reduction in both income and supplies and premises costs of £20,000.

The net cost of dealing with stray dogs has been increased by £5,500 to reflect current experience.

81A3 LICENSING, FOOD, HEALTH & SAFETY

The management restructure has reduced pay costs in this unit by £13,170.

Senior Management recharges to this unit have increased by £3,000 to reflect the new structure.

The Asbestos Officer has transferred from the Contracts Unit (81C6) into this unit, increasing pay costs by £40,000.

Corporate support service recharges to this unit have reduced by £19,000.

The benefit of cost savings in the Business Support Team as a result of the management restructure and reduced support services has been reflected in reduced recharges to other services, reducing the income in this unit by £20,000.

81A4 PUBLIC SAFETY

The management restructure has reduced pay costs in this unit by £15,000.

Senior Management recharges to this unit have increased by £12,000 to reflect the new structure, offset by an £18,000 reduction in pay costs charged directly to this unit.

A reduction in the number of Community Patrollers has reduced pay costs by £77,000 and transport costs by £7,000

Corporate support service recharges to this unit have reduced by £27,000.

Supplies and services costs will increase by £10,000 as a result of the additional cameras in the John Lewis car park.

A reduction in Asset Improvement and Maintenance (AIMS) recharges has reduced premises costs by £4,000.

The estimate for income from the Home Call Alarm service has been increased by £5,500 to reflect current levels.

81A6 GROUNDS MAINTENANCE

As explained at 4.1 above, the trading accounts have now been incorporated into the estimates.

The management restructure has reduced pay costs in this unit by £2,000.

Senior Management recharges to this unit have increased by £23,000 to reflect the new structure, offset by a £3,000 reduction in pay costs charged directly to this unit.

Corporate support service recharges to this unit have reduced by £40,000.

The estimate for water costs has been increased by £4,000 to reflect the additional costs anticipated as a result of the new water feature in St Thomas park.

Reduced pay (£5,000) and premises (£5,000) costs will arise as a result of transferring some responsibilities for sports pitches to clubs.

A reduction in AIMS recharges has reduced premises costs by £15,000.

Cleansing Services recharges have been reduced as described for Street Cleaning (81D4 below) by £63,000.

Increased charges for allotments have increased the estimated income by £5,000 and income from electricity generated by the solar panels at the Belle Isle depot have increased the estimated income by a further £4,000

81A7 MUSEUMS

The 2012-13 budget monitoring reports presented to this committee identified that the budget for the year in respect of utilities at the Museum is too low. Therefore an additional amount of £100,000 has been included in the 2013-14 estimates to fund the shortfall.

The additional amounts included are £35,000 for Electricity, £23,000 for Gas and £42,000 for National Non-Domestic Rates (NNDR). An appeal against the rateable value for the Museum has been lodged with the Valuation Office; the result of this appeal is expected in the near future.

The AIMS estimates have decreased from the current year figure due to the departmental recharge estimate reducing (£16,800). There has been a reduction in the premises maintenance estimate for the RAMM (£10,000)

Estimates in respect of Rougemont House have been reduced significantly (£41,630) due to the expected sale of the property. The estimates remaining relate to the ongoing maintenance costs and the support service recharges.

Pay estimates are also less than the current year with Superannuation and National Insurance estimates being reduced.

There has been a reduction in the income estimates due to less external grant income being received. This has also meant the supplies and services estimates are lower. However, additional income estimates have been included for the RAMM which will partially offset the reduced grant income.

The support service recharge estimates have reduced with various estimates being less than the current year figure. The significant estimates changes are reduced recharges to the service from Human Resources and Directorate Administration.

81A8 LEISURE & SPORTS FACILITIES

The estimate in respect of NNDR for the contracted facilities has been removed (£59,510) and transferred to the Resources Committee. This estimate related to the discretionary rate relief awarded by the council for the contracted facilities.

The AIMS estimate has been reduced with the departmental recharge and reactive repairs elements of this estimate reducing.

A estimate has been funded for the Climate Reduction Contribution which is included as part of Leisure Facilities contract (£30,000).

The annual contractual increase in respect of the leisure facilities contract has been reflected in the estimates.

Support Service recharges to this management unit in respect of Directorate Administration, Information Technology and Legal Services have reduced resulting in a reduction in the estimated figure.

The estimates in respect of the Scrapstore have been moved to 81B3 Properties below.

81B2 BEREAVEMENT SERVICES

The management restructure has reduced pay costs in this unit by £18,400.

Senior Management recharges to this unit have increased by £5,000 to reflect the new structure, offset by a £2,000 reduction in pay costs charged directly to this unit.

Corporate support service recharges to this unit have reduced by £11,000.

A reduction in AIMS recharges has reduced premises costs by £13,000.

NNDR costs are estimated to increase by £3,000.

The estimates for materials, skips and other supplies have been reduced by £8,000, and Cleansing Services recharges have been reduced as described for Public Conveniences (81D5 below) by £10,000. Transport cost estimates have increased by £1,000.

While increased fees are expected to increase income in some areas, recent experience suggests that other sources of income are reducing. The net estimated impact is £5,000 increased income.

81B3 PROPERTIES

This unit includes income and expenditure budgets in respect of various miscellaneous properties. The estimate changes relate to a £7,000 reduction in the estimated utilities for the properties which has been offset by a £9,000 increase in the support services recharges.

There has been a small increase in the rental income budgets for the properties.

The budget in respect of the Scrapstore has been moved to this management unit from 81A8 Leisure Facilities above.

81B9 ADMINISTRATION SERVICE

This service has been merged with other administrative and support services and is now included in the services within the Resources Scrutiny estimates.

81C2 ADVISORY SERVICES

Overall there is an additional budget requirement for 2013/14; however savings have been made on various elements of the budget within the management unit.

A saving has been made on the employment estimates as a result of voluntary redundancy requests being accepted. This saving has been offset by the inclusion of an estimate for two grant funded posts being included in the employment costs estimate, however this cost will be funded by the grant income received.

Staff allocations have been reviewed to better reflect the work that individuals carry out leading to additional costs on Housing Advice.

The PSL Properties estimate for reactive repairs to properties has been increased in-line with the costs experienced in 2012/13. The rental expenditure has been increased to reflect the annual RPI increase included in the lease agreements; however the income has remained at the current year estimate.

The Shaul's Court estimate for security control and reactive repairs to the property have increased in line with historical expenditure. A estimate has been included in respect of repairs works which is rechargeable to tenants, this additional estimate has been offset by the inclusion of the income estimate to account of the recovery of the expenditure from the tenant. The income is not expected to increase in-line with the inflation assumption due to the high proportion of one bed units which attract a lower subsidy rate.

Figures to date indicate that the 2012/13 Housing Benefit income estimate in respect of Bed and Breakfast accommodation is too low. Therefore this estimate has been amended to reflect the current and previous years actual income received.

The Serviced Accommodation expenditure has increased due to the agreed annual CPI increase applicable to each property and an additional property being added to the portfolio. The income has increased due to number of properties leased increasing but the income receivable does not increase in-line with CPI. The estimate for Supporting People funding from DCC reduced in 2012/13, the 2013/14 estimate has been amended to reflect the actual funding received.

Rental income for all temporary accommodation is linked to DWP subsidy which within the current financial year is based on the January 2011 Local Housing Allowance; from April 2013 it will be based on the Local Housing Allowance for that month, which will be some 10-15% lower. It is therefore of no financial benefit to increase rents beyond this point as the cost would only be met from cost centres from within the Housing Benefit service.

A new cost centre has been included for 2 additional leased properties; the estimates show a net surplus for these properties.

Shared House PSLs was a new cost centre for 2012/13 with estimates set assuming 2 properties on the scheme. The 2013/14 cost centre estimate has been revised to take account of the additional property on the scheme.

81C3 HOUSING ENABLING

The estimate for pay has reduced to reflect the post removed due to the voluntary redundancy application that was approved.

Savings have been made on various supplies and services budgets with the estimates for advertising, publications/leaflets, consultants fees and solicitors and legal fees all reducing.

The support services recharge estimates have reduced with recharges for Directorate Administration and Human Resources being the main reductions.

81C4 PRIVATE SECTOR HOUSING

The management restructure has reduced pay costs in this unit by £16,330.

Senior Management recharges to this unit have increased by £22,000 to reflect the new structure, offset by a £22,000 reduction in pay costs charged directly to this unit.

Other staff reductions have reduced the estimate for pay by £28,000.

The £15,000 estimate for the Housing Condition Survey will not be required in 2013/14 and has therefore been removed.

Changes in the arrangements for car allowances have resulted in a £3,500 reduction in transport costs.

Corporate support service recharges to this unit have reduced by £2,000.

Income from licences for Houses in Multiple Occupation is expected to increase by £6,000.

81C5 SUNDRY LANDS MAINTENANCE

There are no material changes in this unit.

81C6 CONTRACTS AND DIRECT SERVICES

The estimates have reduced following the transfer of the Safety and Asbestos Officer to Environmental Health and the transfer of the Senior Architectural Surveyor to Engineering and Construction Services. This has resulted in reduced salary estimates and reductions to their associated budgets for supplies and services, transport and support services.

The salary estimates also reflect the effects of the senior management review, the deletion of a post within the Building Team following the redundancy of an operative, and the appointment of a surveyor and an administrator to assist with the increased kitchen and bathroom replacement programme.

A £50,000 saving is also expected to be made within the unit during 2013/14 as part of the Council's overall savings target.

The full cost of this unit is recharged to other services.

81C7 SENIOR MANAGEMENT - COMMUNITY

The estimates relating to the former Director for Community and Environment and the secretarial support service have been removed, and replaced by the estimates for the Assistant Directors for Environment and Public Realm. These costs are fully recharged to other units within this and the Economy Committees.

CLEANSING SERVICES

As explained at 4.1 above, the trading accounts have now been incorporated into the estimates. In the case of Cleansing Services, this has necessitated a complete change in the structure of the accounts so that sufficient information can be shown for each part of the service. The former management units 81A2 and 81B6 have therefore been replaced by six new management units, as shown below.

Wherever possible, management and supervision salaries, running costs and administrative costs have been charged to the individual services rather than the overhead account, as was done in the past. Overhead costs which cannot be attributed to any service are now shown separately in unit 81D7 below rather than being apportioned to the services. This has led to an increase in direct costs in the units and a reduction in overhead recharges.

The cost of providing cleansing services to other services - including Bereavement Services, Grounds Maintenance, Waterways and Engineers – has not been recharged to those services in the 2013/14 estimates so that the true cost of Cleansing Services can more easily be identified. This has increased the net cost of Cleansing Services while decreasing the costs of those services not recharged.

81D2 DOMESTIC REFUSE COLLECTION

The impact of charging pay costs for supervisors and managers direct to the unit rather than to the overhead account has increased pay costs in this service.

The cost of water and trade effluent charges relating to the vehicle washdown has been charged direct to this unit rather than to the overhead account increasing premises costs.

The cost of some supplies and services have been moved to other units within Cleansing Services resulting in a reduction in the estimate for this service.

The estimates for fuel and fleet maintenance and insurance costs have been reduced.

Support service recharges have reduced as a result of the change in the way we have accounted for overheads in 2013/14.

Income from charges for Domestic Refuse bins is estimated at £25,000.

81D4 STREET CLEANSING

The impact of charging pay costs for supervisors and managers direct to the unit rather than to the overhead account has increased pay costs in this service.

The estimates for fuel and fleet maintenance and insurance costs have been increased.

Support service recharges have reduced as a result of the change in the way we have accounted for overheads in 2013/14.

Recharges to other services have been reduced as explained above.

81D5 PUBLIC CONVENIENCES

The impact of charging pay costs for supervisors and managers direct to the unit rather than to the overhead account has increased pay costs in this service.

The estimates for water and electricity in Public Conveniences has been reduced by £36,500 reflecting reductions in these costs being experienced following improvements to the facilities. In addition, AIMS recharges to this service have reduced by £3,000.

Support service recharges have reduced as a result of the change in the way we have accounted for overheads in 2013/14.

Recharges to other services have been reduced as explained above.

81D6 CHARGEABLE SERVICES

This unit incorporates all Cleansing Services which recharge their costs either to other services within the Council or to the public. Associated overheads are recharged to this unit from the Overhead and Fleet unit (81D7 below) so that the performance of these services can be more accurately calculated. The costs of providing the internal services is recharged in full to the relevant services.

The net cost of the Special Collection service has increased as a result of a £10,000 reduction in income from the service.

The cost of waste disposal for the Trade Refuse collection service is expected to increase by £58,000 as a result of the increased weights being collected and the increase in landfill tax. Income is expected to increase by a similar amount as these costs are passed on to customers. Decreased running costs and overheads are expected to increase the net surplus in this unit.

The income from Trade Recycling collection customers is expected to increase, but the falling prices being experienced for the materials collected is expected to result in a net £5,000 reduction in income for this service. However, some cost reductions have been made which are expected to enable the service to generate net income only slightly less than the current year target.

The estimate for pay costs in the Garden Waste service has been increased by £58,000 as the growth of the service has made it necessary to increase staffing. This is partially offset by £35,000 additional income. These factors are expected to reduce the surplus generated by this service.

81D7 EXTON ROAD OVERHEADS AND FLEET

As explained above, all overhead costs which cannot be directly attributed to any service are now included here. A proportion of these costs is allocated to the Rechargeable Services unit (81D6 above) and the residual costs are reflected in this unit.

81D8 RECYCLING

The management restructure has reduced pay costs in this unit by £11,380.

A voluntary redundancy has resulted in reduced pay costs in this unit.

Utility costs for the vehicle washdown are now charged direct to the services using it resulting in reduced premises costs and income for this unit.

A reduction in goods purchased and resold has resulted in reduced estimates for both supplies and services and corresponding income.

Increased haulage costs will arise as a result of some materials having to be sent to a more distant location. However, this is partially offset by a reduction in the cost of maintaining plant and vehicles used in the service.

Support service recharges have reduced as a result of the change in the way we have accounted for overheads in 2013/14.

The estimate for income from the sale of recyclates has been reduced to reflect the lower prices being achieved in the current economic climate.

STRATEGIC DIRECTOR

ASSISTANT DIRECTOR FINANCE

S:PA/LP/Cttee/113SCC7
3.1.13

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report

None