

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – RESOURCES

23 JANUARY 2013

ESTIMATES 2013/14

1. INTRODUCTION

- 1.1 Attached are the draft estimates for 2013/14, which were discussed on 13 December 2012 but have since had a minor increase in the cost of management unit 86A1 Revenue Collection/Benefits.
- 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 latest forecast Medium Term Financial Plan currently indicates that in addition to the savings proposed for next year the Council will need to reduce its revenue budget by a further £727,000 in 2014/15, £836,000 in 2015/16 and by a further £885,000 in of 2016/17. This would amount to a cumulative reduction of £2.448 million over the following three years as shown in the following table:-

Year	Required Savings £000
2014/15	727
2015/16	836
2016/17	885
Total	2,448

4. KEY REVENUE BUDGET CHANGES PROPOSED FOR 2013/14

4.1 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:

86A1 REVENUE COLLECTION & BENEFITS

The estimate for Housing Benefit payments has been changed to reflect the outturn forecast for 2012/13 plus case load and price increases for 2013/14 as follows:

- Rent Allowances + 2%
- Rent Rebates + 6%
- Non HRA Rebates + 2%

Discretionary Housing Payments have been increased to £120,000.

The Housing Benefits subsidy has been amended to reflect the above increases inline with the 2012/13 performance.

In 2013/14, Council Tax Benefit has been replaced by Local Council Tax Support. Under the new scheme each billing authority has had to design it's own scheme, whilst receiving 10% less funding than was available under the existing scheme. In Exeter, it means that people of working age that previously received benefit will now have to pay approximately 20% of their bill.

There has been an overall reduction in the cost of administering Revenue Collection and Benefits, largely due to staff savings in the Customer Services Centre, see also 86B1 Treasury Services below.

The overall net reduction in Revenue Collection and Benefits is £110,160 which is 0.21% of the total cost of £51.366m.

86A2 ELECTIONS & ELECTORAL REGISTRATION

Whilst the City Council will be running the Devon County Council's elections on its behalf, there are no Exeter City council elections planned in 2013. This gives rise to a one-off saving of an estimated £83,000 in 2013/14.

86A3 CORPORATE

There has been a decrease in the corporate cost allocation from 86B1 Treasury Services management, 86B8 Chief Executive Services, and 86B7 Director of Corporate Services, all largely due to budget reductions and efficiency savings.

The cost of the core external audit fees has reduced due to the disbanding of the Audit Commission and national competition for audit work driving the cost down.

Some of the work on treasury management has been recharged to the Housing Revenue Account (HRA).

86A4 CIVIC CEREMONIALS

The creation of the Corporate Support Unit within management unit 86B5 below has resulted in the staff directly supporting work on Guildhall Chambers and Twinning are now being charged direct to the service.

The retail unit attached to Guildhall Chambers has a new tenant but with a reduction in rental income. This reduction in income has been minimised due to the use of the Jury Room at the Guildhall by the Devon Registration Service.

86A5 DEMOCRATIC REPRESENTATION

There has been a reduction in the cost allocation from 86B1 Treasury Services management, 86B8 Chief Executive Services, and 86B7 Director of Corporate Services, all largely due to budget reductions and efficiency savings.

There was a pay inflation provision made in the budget for Members' Allowances in 2012/13 but it was determined by full Council that no increase should actually be paid. This gave rise to a saving of approximately £10k.

86A6 GRANTS/CENTRAL SUPPORT/CONSULTATION

The rate relief budget from management unit 81A8 Leisure Facilities has been transferred here so that all of the relief costs are shown just in this unit.

There have been some increases in rent grants approved by Grants Committee that are matched by rental income received in other cost centres within the council.

Existing staff within 86A8 Chief Executive Services have reviewed their duties since the reorganisation resulting in a small increase in the recharges to Emergency Planning, Community Safety, and Community Inclusion and Involvement, with a compensating reduction in the recharge to 86A3 Corporate.

86A7 UNAPPORTIONABLE OVERHEADS

There is a balance on Central Support Services and the AIM Fund contingency that appear within Unallocated Central Costs. The actual users of these services will be recharged during 2013/14.

CENTRAL SUPPORT SERVICES ACCOUNTS:

The management units listed below are recharged out across the whole of the Council and are either brought back to zero cost or have balances left that are to be recharged back to the users of the services in 2013/14:

86A8 CHIEF EXECUTIVE SERVICES

The staffing and operational costs of Chief Executive's Services have been reviewed and have resulted in budget savings.

86A9 STRATEGIC / COMMUNITY PARTNERSHIPS

This management unit brings together the Council's community partnerships with the police, health authorities and other councils to establish strategies and programmes within the Exeter area. External project funding has reduced but the cost of administering cost centres S070 Community Safety Partnership and S078 ASB Co-ordinator is shown within management unit 86A6 above.

86B1 TREASURY SERVICES

The staffing and operational review of costs in Treasury Services has resulted in budget savings overall, despite the postage costs of Council Tax Collection and Benefits Administration increasing.

There has been a reduction in the grant received from the Government towards the cost of T009 Benefits Administration.

86B2 INTERNAL AUDIT

The post of Head of Internal Audit was deleted from the establishment from April 2012, resulting in pay savings.

86B3 HUMAN RESOURCES

The Human Resources section has been reviewed after combining with some staff transferred from the Community and Environment administration team (T203), with the resulting staff savings.

86B4 LEGAL SERVICES

There is expected to be a small increase in external income raised from Legal fees levied.

86B5 CORPORATE CUSTOMER SERVICES

The majority of staff from the administration teams of the previous Economy and Community and Environment directorates were transferred to the new Corporate Support Unit with effect from 1 February 2012, to combine with what was the General Office administration team. The budgets for these now disbanded teams have been removed from their old cost centres in the other two committees but all costs have now been recorded here in Resources under cost centre T048. The duties of the team have now been defined and this has resulted in pay savings.

In April 2012 there was a substantial national increase in the cost of postage tariffs.

The reorganisation within the Council has meant that offices have been moved which has created surplus accommodation suitable for renting out to external clients and therefore earn income and share costs. Part of this accommodation has been let to Devon County Council.

There are expected to be further savings in this management unit by April 2013, when the process redesign work is completed affecting services provided within the Customer Service Centre.

86B6 IT SERVICES

Savings have been made on pay costs, mainly due to the deletion of the post of Head of IT Services from April 2012.

There have been some savings in the cost of administering and maintaining IT systems.

86B7 STRATEGIC DIRECTORS

The post of Director of Corporate Services was deleted in April 2012 but the two revised Strategic Directors posts have been moved to this management unit from the other two Resources Committees. The services where they have estimated to spend their time from April 2013 have been recharged.

5. RECOMMENDATION

That members are asked to approve the draft estimates.

ASSISTANT DIRECTOR FINANCE

STRATEGIC DIRECTOR

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

None