

REPORT TO: PLACE SCRUTINY COMMITTEE
DATE OF MEETING: 11 January 2018
REPORT OF: Chief Finance Officer
TITLE: Place Scrutiny Committee - Estimates 2018/19

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

This report sets out the proposed revenue and capital estimates for 2018/19 in respect of Place Services.

2. Recommendations:

That Members of Place Scrutiny Committee support the estimates for 2018/19 and recommends their approval at the Special Meeting of the Council on 20 February 2018.

3. Reasons for the recommendation:

Local authorities have a statutory duty to set an annual budget and to monitor the budget throughout the year.

4. What are the resource implications including non financial resources

The financial resources required to deliver Place Services during 2018/19 are set out in the body of this report.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the revenue and capital estimates for 2018/19 in respect of Place Scrutiny Committee.

6. What are the legal aspects?

Part 2 of the Local Government Act 2003 provides the legislative framework for the process of setting and managing budgets. The act places a duty on authorities to set robust estimates, maintain adequate reserves.

7. Monitoring Officer Comments:

This report raises no issues for the monitoring officer.

8. Report Details:

BUDGET FRAMEWORK FOR PLACE SERVICES

8.1 ANNUAL BUDGET SETTING

Budgets are revisited each year to make amendments for assumptions made on interest rates, inflation and other changed circumstances.

8.2 INFLATION

An overall allowance of £274,920 has been set aside for inflation within Place Services. The inflationary increases allowed in the budgets are:

Pay award	2.0%
Pay – Increments	0.5%
Electricity	2.5%
Gas	2.5%
Oil	2.5%
Water	0.0%
Insurance	10.0%
Rates	2.5%
Fuel	3.0%
General Inflation	0.0%
Income (excluding Car Parks)	3.0%

General inflation has again been held at zero; however, where contractual arrangements are in place, inflation in accordance with the terms of the contract has been added.

8.3 INTEREST RATES

In respect of interest rates, next year's budget reflects the likelihood that whilst base rate may remain low, borrowing for cashflow purposes will increase and the Council may begin to take out borrowing over a longer timeframe as a result.

8.4 LIKELY REVENUE RESOURCES 2017/18 TO 2021/22

Resources remain as per the medium term financial plan as the Government has agreed the four year settlement, however at the end of the four year settlement a significant reduction is anticipated when the Government implement the business rates reset.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
RSG	1,320	869	365	0	0
Council Tax	5,338	5,624	5,723	5,967	6,215
Business Rates	4,873	5,360	5,561	4,289	4,396
Resources	11,531	11,853	11,649	10,256	10,611
Increase/(decrease)		322	(204)	(1,393)	355
Annual % change		2.8%	(1.7%)	(12.0%)	3.6%

The medium term financial plan is based upon an assumption that under the council tax referendum threshold, Shire District councils will be allowed increases of less than 2% or up to and including £5, whichever is higher. Exeter's budget strategy for next year assumes that council tax will increase by £5, which, along with the estimated surplus on the collection fund of £138,900 and increase in the taxbase will raise an extra £286,000.

All authorities in Devon have applied to take part in the Business Rate pilot for the 100% retention of Business Rates. We are pleased to report that the Devon Business Rate Pilot submission for 2018-19 has been successful and potentially could benefit the Council by between £300,000 and £500,000 for 2018-19 only. This has not been built into the medium term financial plan, at this stage.

The Government has removed £800 million from New Homes Bonus in order to fund Adult Social Care. The Government will reduce the payment to four years from 2018-19 and additionally, no payment will be made on housing growth below 0.4%. This is

expected to lead to an award of approximately £2.730 million for 2018-19.

8.5 GENERAL FUND CAPITAL PROGRAMME

The proposed General Fund Capital Programme for the next three years has been established. The total of the current Place Services programme is as follows:

	2018/19 £'000	2019/20 £'000	2020/21 £'000
New Bids	1,086	873	284
Pre-approved	20,938	13,711	400
Total	22,024	14,584	684

The proposed capital programme for Scrutiny Committee - Place is attached at Appendix 1.

8.6 KEY BUDGET CHANGES PROPOSED FOR 2018/19

The table below sets out the key changes between the original budgets for the current financial year and the draft estimates for 2018/19. Please also refer to Appendix 2.

Service	Commentary
Arts & Events	<ul style="list-style-type: none"> Removal of a one-off grant budget
Museum Service	<ul style="list-style-type: none"> Reduction in budget as previously agreed in 2016/17
Environmental Health	<ul style="list-style-type: none"> New budget for an Apprentice
Wellbeing, Sport & Leisure	<ul style="list-style-type: none"> Additional budget for employee costs as previously agreed in 2017/18.
Business & Commercial Operations	<ul style="list-style-type: none"> New budget for Place Project Co-Ordinator post. New budget for an Apprentice. New Maintenance and fuel budgets included in respect of new Harbour Patrol boat.
Parking Services	<ul style="list-style-type: none"> Budget increase in respect of off street parking fees.
Parks & Green Spaces	<ul style="list-style-type: none"> New maintenance and repairs budgets included in respect of play area facilities. New budget for an Apprentice.
Waste	<ul style="list-style-type: none"> New budgets for an Apprentice and a statutory permit for the Environment Agency
City Development	<ul style="list-style-type: none"> Planning application fee income budget increased.

In addition to the changes summarised in the above table, the following overarching changes have been made:

Support Services

Changes in accounting guidance has ended the requirement to spread support service costs as overheads. The change allows local authorities to report its financial performance in the same way that the authority operates and manages its services.

Support services are managed as separate functions within the Council (legal, finance, HR etc.), their costs are now budgeted as discrete functions rather than spread across Council services as overheads. The only exceptions being the statutory requirement to continue charging support service costs to the Housing Revenue Account and to certain services that are required to recover their full costs (e.g. building control).

The impact of this change on the 2018/19 budgets is that many services have reduced expenditure due to the removal of support service overhead costs and support services are showing increased expenditure due to the retention of their costs when compared to the 2017/18 budgets. However, across the Council the impact is cost neutral.

Superannuation

Employers' contributions to the superannuation fund are set every three years as a result of the actuarial valuation of the Fund. The last valuation, as at 31 March 2016, resulted in the employers' contribution rate increasing from 14.1% to 15.8%. For 2017/18 the additional cost was budgeted centrally as a corporate cost, however during the year the budget has been re-allocated across Council services to reflect pensionable pay within the respective services.

The impact of this change on the 2018/19 budgets is a reduction in corporate budgeted costs with a corresponding increase in service budgeted costs, however across the Council the impact is cost neutral.

Communications and Marketing

Budgets across the Council relating to communication and marketing activities have been pooled in order to resource and strategically plan for communication and marketing across the Council.

The impact of this change on the 2018/19 budgets is a reduction in service budgeted costs with a corresponding increase in corporate budgeted costs, however across the Council the impact is cost neutral.

8.7 FEES AND CHARGES

The proposed Fees and Charges for Scrutiny Committee - Place in 2018/19 are included at Appendix 3.

9. How does the decision contribute to the Council's Corporate Plan?

Place Services contribute to 5 key purposes, as set out in the Corporate Plan:
Customer access to help me with my housing and financial problem, make it easy for me to pay, provide suitable housing and be a good landlord.

10. What risks are there and how can they be reduced?

The key risks revolve around ensuring that the Council has sufficient funds to both meet the financial plans set out in the report and to protect itself against any unexpected expenditure that occurs. The risk is mitigated by ensuring that there are

sufficient reserves held to offset unexpected expenditure needs. Regular monitoring is undertaken and reported to both the Strategic Management Board and Members.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

The revenue service costs reported to this Committee help support the provision of temporary accommodation, housing advice, licensing of houses of multiple occupation, new affordable housing within the City and the administration of housing benefits. All these services have a positive impact on the health and wellbeing of residents, in particular those in housing need.

In terms of capital expenditure, the 2018/19 capital programme helps facilitate disabled adaptations which has a positive impact of the health and wellbeing of residents.

12. Are there any other options?

No

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Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:

None

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