

REPORT TO: PEOPLE SCRUTINY COMMITTEE
DATE OF MEETING: 10 January 2019
REPORT OF: Chief Finance Officer
TITLE: People Scrutiny Committee - Estimates 2019/20

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 2019/20 in respect of People Services.

2. Recommendations:

That Members of People Scrutiny Committee support the estimates for 2019/20 and recommends their approval at the Special Meeting of the Council on 26 February 2019.

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 People Services during 2019/20 are set out in the body of this report.

5. Section 151 Officer comments:

The budget is in line with the updated medium term financial plan and forms part of a proposed balanced budget for the Council in 2019/20. The budget will ultimately be agreed on 26 February along with the Council Tax for 2019/20.

Members should note that further reductions totalling £2.4 million will have to be identified in order to balance the budget for the following year.

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 PEOPLE 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 £102,720 has been set aside for inflation within People Services. The inflationary increases allowed in the budgets are:

Pay award	2%
Pay – Increments	0.5%
Electricity	25%
Gas	6%
Oil	2.5%
Water	0%
Insurance	8%
Rates	2.5%
Fuel	3%
General Inflation	0%
Income (excluding Car Parks)	3%

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 2018/19 TO 2022/23

Resources remain broadly similar to 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.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
RSG	0	365	0	0	0
Council Tax	5,624	5,831	5,979	6,228	6,480
Business Rates	6,804	5,846	4,426	4,515	4,605
Resources	12,428	12,042	10,405	10,743	11,085
Increase/(decrease)		(386)	(1,637)	338	342
Annual % change		(3.1%)	(13.6%)	3.2%	3.2%

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 3% 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 £96,331 and increase in the taxbase will raise an extra £208,000.

All authorities in Devon have taken part in the Business Rate pilot for the 100% retention of Business Rates during 2018-19. They have also applied to be a 75% pilot during 2019-20, but unfortunately have been unsuccessful. The aim therefore is to revert to acting as a pool.

Last year, the Government 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 £2.518 million for 2019-20.

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 People Services programme is as follows:

	2019/20 £'000	2020/21 £'000	2021/22 £'000
New Bids	0	0	0
Pre-approved	500	500	500
Total	500	500	500

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

8.6 KEY BUDGET CHANGES PROPOSED FOR 2019/20

The table below sets out the key changes between the budgets for the current financial year and the draft estimates for 2019/20, with any significant movements +/- £30k explained. Please also refer to Appendix 2.

LOCAL GOVERNMENT PAY OFFER

In addition to the key changes highlighted below, a significant budgetary pressure in respect of pay has impacted on revenue budgets across Council services.

In April 2018, UNISON accepted the Local Government Association's two-year pay offer, covering the period April 2018 to March 2020 with employees paid at the lower spinal column points receiving increases in excess of 2%. The offer includes a revised pay spine with effect from 1 April 2019, which employers will need to apply to their own grading structure. The LGA have reported that the total increase to the national pay bill resulting from the offer is 5.6% over 2 years. The proposed budgets reflect the impact of the pay offer for this committee, in conjunction with annual increments, re-grades and changes to posts.

81C2 – Housing Needs	£91,490
<p>Officer Responsible: Interim System Lead, Housing Needs</p> <ul style="list-style-type: none"> • £45,000 expenditure has been included for Devon Home Choice to purchase and install a new IT system, this will be funded from the Devon Home Choice reserve. • £46,000 reflects the increase in pay as described above. 	
81C3 – Affordable Housing Development	(£95,400)
<p>Officer Responsible: Housing Development Manager</p> <ul style="list-style-type: none"> • Staff previously employed with the Housing Development Team have transferred directly into Planning Services, Environmental Health and Housing according to the work they perform in respect of building neighbourhoods, empty homes and social housing retrospectively. The associated budgets have therefore been disseminated to these service areas. 	
81E1 – GF Housing – Property	(£53,190)
<p>Officer Responsible: Service Lead – Housing Assets, Housing Officer Team Lead</p> <ul style="list-style-type: none"> • Reflects the planned handback of certain Private Sector Leased properties to landlords as they become void and the associated savings in repairs and service and maintenance costs. 	
86A1 – Revenue Collection/Benefits	£463,780
<p>Officer Responsible: System Lead Finance</p> <ul style="list-style-type: none"> • Two temporary Local Taxation Visiting Officers previously funded from grant income have been made permanent; therefore grant funding of £32,000 has been removed from the budgets • The expenditure budgets have been reduced by £29,000 as access to the online welfare reform impact dashboard previously granted for 12 months has now ceased. • The income budgets have been reduced by £475,000 to reflect the reduction in recoverable overpayments. • Apprenticeship pay budgets across the Council have been adjusted in-line with apprenticeship commitments resulting in a saving of £14,220 for this service area. 	

8.7 FEES AND CHARGES

The proposed Fees and Charges for Scrutiny Committee - People in 2019/20 are included at Appendix 3.

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

People Services contribute to three key priorities, as set out in the Corporate Plan: providing value-for-money services, leading a well-run council and building great neighbourhoods.

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 proposed revenue budgets for this Committee will 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 2019/20 capital programme will help facilitate disabled adaptations which has a positive impact of the health and wellbeing of residents.

12. Are there any other options?

No

DAVE HODGSON
Chief Finance Officer

Authors:
Nicola Matthews-Morley and Michelle White

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:
Democratic Services (Committees)
Room 2.3
(01392) 265275