

REPORT TO: PLACE SCRUTINY COMMITTEE
DATE OF MEETING: 17 January 2019
REPORT OF: Chief Finance Officer
TITLE: Place 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 Place Services.

2. Recommendations:

That Members of Place 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 Place 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 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 £334,410 has been set aside for inflation within Place Services. The inflationary increases allowed in the budgets are:

Pay award	2%
Pay – Increments	0.5%
Electricity	25%
Gas	6%
Oil	2.5%
Water	0.0%
Insurance	8%
Rates	2.5%
Fuel	3.0%
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 Place Services programme is as follows:

	2019/20 £'000	2020/21 £'000	2021/22 £'000
New Bids	3,000	0	0
Pre-approved	30,285	564	400
Total	33,285	564	400

The proposed capital programme for Scrutiny Committee - Place 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.

Key changes between budgets for 2018/19 and draft estimates for 2019/20	
81A1 - Environmental Protection	£59,140
Officer Responsible: Environmental Health and Licensing Manager	

Key changes between budgets for 2018/19 and draft estimates for 2019/20

- Mainly pay (£50,830) from an increase in Vehicle Licensing resources (which by law can be recovered from fee increases across a three-year period), with some capital charges.

81A6 – Parks and Green Spaces	£305,020
Officer Responsible: Public and Green Space Manager	
<ul style="list-style-type: none"> • Pay costs in this unit increased by £269,000. The former Business and Commercial Opportunities management unit has been discontinued, and the staffing budgets have been used to fund posts in other units within Public Realm. Funding for 12.4 Whole Time Equivalent posts was transferred to Parks and Green Spaces. • Depreciation charges in this unit increased by £16,000 • Other budgets in this unit increased by £20,000; this is offset by savings achieved in the Street Cleaning unit (81D4 below). 	
81B2 – Bereavement Services	£61,100
Officer Responsible: Public and Green Space Manager	
<ul style="list-style-type: none"> • The pay budget in this unit increased by £60,000. The former Business and Commercial Opportunities management unit has been discontinued, and the staffing budgets have been used to fund posts in other units within Public Realm. Funding for 1.8 Whole Time Equivalent posts was transferred into Bereavement Services 	
81B&C – Business and Commercial Opportunities	(£540,450)
Officer Responsible: Public and Green Space Manager	
<ul style="list-style-type: none"> • The former Business and Commercial Opportunities management unit has been discontinued, and the budgets have been used to fund pay, supplies and services and transport budgets in other units within Public Realm. 	
81D2 - Domestic Refuse Collection	(£70,850)
Officer Responsible: Cleansing and Fleet Manager	
<ul style="list-style-type: none"> • £61,550 of this is a reduction in capital charges coming from cleansing assets losing most of their value in their early working life. 	
81D4 – Street Cleaning	(£61,730)
Officer Responsible: Public and Green Space Manager	
<ul style="list-style-type: none"> • Pay costs in this unit reduced by £29,000 as a result of one post being deleted; part of the funding transferred into Management Unit 81D5 – Public Conveniences (below). • Depreciation charges in this unit reduced by £49,000. • The fleet management budget was reduced by £15,000 to reflect actual costs being incurred in the unit. This, together with £10,000 additional external income, was used to fund additional costs arising in 81A6 – Parks and Green Spaces (above) 	

81D5 – Public Conveniences	£170,670
<p>Officer Responsible: Public and Green Space Manager</p> <ul style="list-style-type: none"> • £11,000 funding for additional staffing was transferred from Management Unit 81D4 – Street Cleaning (above). • Utilities budgets were increased by £29,000 to reverse savings previously anticipated on the closure of the Bus Station toilets. • Depreciation charges in this service increased by £130,000 as a result of increased valuations at 31 March 2018. 	
81D7 - Exton Road Overheads and Fleet	(£35,140)
<p>Officer Responsible: Cleansing and Fleet Manager</p> <ul style="list-style-type: none"> • £34,410 of this comes from reduced staffing due to accumulated process efficiencies becoming “cashable”. 	
83A3 – Parking Services	£77,490
<p>Officer Responsible: Community Safety and Enforcement Service Manager</p> <ul style="list-style-type: none"> • Pay costs in this unit have increased by £32,000 as a result of job evaluation results, partly offset by removing the funding for 1.3 Whole Time Equivalent posts. • The budget for National Non Domestic Rates (NNDR) costs for car parks has been increased by £90,000 following revaluations of several facilities. • The budget for electricity costs has been increased by £15,000, reflecting current usage. • Equipment maintenance budgets have been increased by £34,000 to reflect current costs • £36,000 additional rental income is expected to arise in this service. • The budgets for other sources of income in this unit have been increased by £45,000 to reflect current levels. • Depreciation charges in this unit have decreased by £15,000. 	
83A4 - Economic Development	£38,420
<p>Officer Responsible: Economy & Enterprise Manager</p> <ul style="list-style-type: none"> • This is actually a secondment role forming a small part of a reduction of 5.5 FTEs and complete restructure with effect from 1 April 2019. The restructured service will actively seek additional external income. 	
83A6 - Tourism	(£57,955)
<p>Officer Responsible: Service Lead - Communications, Tourism & Culture</p> <ul style="list-style-type: none"> • The saving comes from bringing together a range of functions and creating administration efficiencies within the new Communications, Tourism & Culture Service. 	

83A8 District Highways & Footpaths	£34,500
Officer Responsible: Public and Green Space Manager	
<ul style="list-style-type: none"> • Depreciation charges in this unit have increased by £38,000 as a result of new capital schemes at Mallison and Kings Arms Bridges 	
83B4 – Engineering and Construction Services	£239,620
Officer Responsible: Public and Green Space Manager	
<ul style="list-style-type: none"> • The former Business and Commercial Opportunities management unit has been discontinued. The budgets for 6 Whole Time Equivalent posts (£226,000), together with the budgets for Supplies and Services (£9,000) and Transport (£4,000), were transferred into this unit. 	
83B5 - Planning Services	£74,100
Officer Responsible: City Development Manager.	
<ul style="list-style-type: none"> • Two additional posts have been funded to deal with CIL work at a cost of £64,500; these will be funded from the CIL. • As reported to Scrutiny Committee – People, some staff previously employed with the Housing Development Team have transferred directly into the new Building Neighbourhoods team within Planning Services. The associated budget of £10,300 has been transferred into this management unit. 	
83B9 - Markets & Halls	£33,895
Officer Responsible: Events, Facilities & Markets Manager	
<ul style="list-style-type: none"> • The Service has actually made a cost-saving of £21,985; however, there is an expected downturn in income achievable. 	
83C1 - Waterways	£112,790
Officer Responsible: Community Safety and Enforcement Service Manager	
<ul style="list-style-type: none"> • Pay budgets in this service have been increased by £94,000. The former Business and Commercial Opportunities management unit has been discontinued, and the staffing budgets have been used to fund posts in other units within Public Realm. Funding for a Harbour Master and two Harbour Patrollers posts, as approved by Council on 24 July 2018, was transferred into the Waterways service. • Depreciation charges in this unit increased by £18,000. 	

83C2 - Museum Service	£96,710
Officer Responsible: Museums Manager & Cultural Lead	
<ul style="list-style-type: none"> • The adjustment is mainly from capital charges at RAMM increasing after reviewing the useful working life of some parts of the building. • There is also an increase of £17,910 in business rates payable. The actual amount of business rates payable is expected to be next determined by a Valuation Office Agency (VOA) tribunal in June 2019. The £96,710 is after the Service has made planned savings of £50,000. 	
83C3 - Leisure & Sport	(£708,080)
Officer Responsible: Director (JY)	
<ul style="list-style-type: none"> • The adjustment is primarily from the reduction in annual capital charges for Pyramids after extending its useful working life from 2 years to 3. • It includes the loss of income from Clifton Hill (£122,950) and Riverside (£265,420). • £30,000 of the £708,080 adjustment saving comes from deferring half the annual estimate for St Sidwell's Point communications costs until work starts, when the deferred resources are likely to be required. 	
83C7 - Active & Healthy People	£36,780
Officer Responsible: Active & Healthy People Programme Lead	
<ul style="list-style-type: none"> • This reflects the transfer of staff into the new Communities, Health & Wellbeing, Leisure & Sport Service – it is not growth. 	

8.7 FEES AND CHARGES

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

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

Place Service budgets contribute to five key priorities, as set out in the Corporate Plan:

Tackling congestion and accessibility; Promoting active and healthy lifestyles; Building great neighbourhoods; Providing value-for-money services; Leading a well-run council.

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?

No impact

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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