

REPORT TO: CORPORATE SCRUTINY COMMITTEE
DATE OF MEETING: 24 January 2019
REPORT OF: Chief Finance Officer
TITLE: Corporate 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 Corporate Services.

2. Recommendations:

That Members of Corporate 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 Corporate 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 Corporates a duty on authorities to set robust estimates, maintain adequate reserves.

7. Monitoring Officer Comments:

Section 25 of the Local Government Act 2003 requires the S151 officer to report on the adequacy of the Council's financial resource. Where following review, it appears there has been a deterioration in the financial position, an authority must take such action, if any, as it considers necessary to deal with the situation.

8. Report Details:

BUDGET FRAMEWORK FOR CORPORATE 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 £165,250 has been set aside for inflation within Corporate 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 Corporate, 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 Corporate Services programme is as follows:

	2019/20 £'000	2020/21 £'000	2021/22 £'000
New Bids	285	0	0
Pre-approved	2,344	194	154
Total	2,629	194	154

The proposed capital programme for Scrutiny Committee - Corporate 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	
86A6 Grants / Central Support / Consultation	£104,360
Officers Responsible: Directors	
<ul style="list-style-type: none"> This management unit brings together an otherwise-disparate group of support services. The main element of the apparent increase is that the base 	

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

estimate for 2018/19 does not include a £68,000 supplementary budget to support bringing Communications in-house approved in June 2018.

- The total base budget for 2018/19 was £1,566,300 while the equivalent base estimate for 2019/20 is £1,220,640, a reduction of 22%.

86B1 Financial Services**£46,370****Officer Responsible: Chief Finance Officer**

- This apparent increase is in fact the result of limiting the internal “income” from recharging support services to operational services only when either the operational services is chargeable by law on a full-cost-recovery basis, or the recharge represents a material cost to the support service. The adjustment here is balanced by a saving in recharged costs shown in operational services.
- The budget cost of Financial Services (ie before income) was £710,890 in 2018/19 and is estimated at £715,000 for 2019/20, an increase of £4,110.

86B5 CORPORATE SUPPORT**£(62,390)****Officer Responsible: Corporate Manager Democratic and Civic Support**

- Rental income in the Civic Centre will increase by £18,000 following the granting of a new lease.
- Funding for part of a vacant post has been transferred to 86B1 - Financial Services (above) decreasing costs in this unit by £11,000
- The budgets for supplies and services have been reduced by £18,000 reflecting current expenditure levels, particularly for postage costs and maintenance of equipment.
- The budget for National Non Domestic Rates (NNDR) for the Civic Centre has been reduced by £10,000 to reflect the actual charges incurred.

86B6 IT Services**£129,020****Officer Responsible: Chief Finance Officer**

- £58,500 of this is inflation as allowed-for under the contract (2.5% CPI on employee costs, 3.1% RPI on supplies and services).
- The balance is from service enhancements requested by Services, such as £41,900 for new Revenues & Benefits software and £15,000 for new mobile canvassing devices.

86B7 Strategic Management**(£48,890)****Officers Responsible: Directors**

- This is primarily the final budget benefit from the deletion of the Deputy Chief Executive post in 2018/19.

86B8 Procurement	(£63,960)
<p>Officer Responsible: Chief Finance Officer</p> <ul style="list-style-type: none"> This reflects the structural savings now that the Procurement team is made up of established employed posts, with 25% of the team's time and expertise used by the HRA and funded there. 	

8.7 FEES AND CHARGES

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

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

Corporate Service budgets contribute to 2 key purposes, as set out in the Corporate Plan:

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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Chief Finance Officer

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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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