

**EXETER CITY COUNCIL**  
**SCRUTINY COMMITTEE – COMMUNITY**  
**18 JANUARY 2011**

**ESTIMATES 2011-12 FOR**  
**SCRUTINY COMMITTEE - COMMUNITY**

**1. INTRODUCTION**

- 1.1 Attached are the draft estimates for the year ended 31<sup>st</sup> March 2012.
- 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.

**2. BUDGET FRAMEWORK**

- 2.1 With regard to inflation, an overall allowance of £100,000 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 overall inflation allowance of £300,000 has been included for planning purposes. The inflationary assumptions that have been included for next year are as follows:

• Pay and increments	1.0% - to cover any pay award
• Utilities	3.0%
• Insurance	3.0%
• Rates	4.5%
• Fuel	3.0%
• General Inflation	1.0%
• Income (excluding car parks)	3.0%

- 2.2 There has been no offer of an increase in pay for 2010/11. Unions have submitted a pay claim for 2011/12 of £250 for all employees, on which the Local Government Employers are consulting Councils. Given the Government's announcement of a pay freeze for employees earning more than £21,000 and an increase of £250 for those earning less, it is felt prudent at this stage to budget next year for pay increases and increments totalling not more than 1.0%.
- 2.3 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 UK inflation increased in October mainly reflecting changes in fuel prices. The Consumer Prices Index (CPI) measure rose to 3.2%, up from 3.1% in September. The Retail Prices Index (RPI), the alternative measure of inflation which includes housing costs, however fell slightly to 4.5%, down from 4.6% a month earlier. The government target for the CPI measure remains at 2%.
- 2.4 With regard to interest rates, the Bank of England has put the base rate of interest on hold at only 0.5% since March 2009. Although many analysts are predicting that interest rates could start to increase next year, in the short term they are likely to remain at their historically low levels. The low levels of interest rates affect the City Council in a number of ways. On the negative side the Council has to assume lower investment returns on cash deposits in comparison with previous years. This has also been exacerbated by the continuing lack of confidence within some parts of the banking sector. The likelihood is that investment returns will continue to be

low. Conversely on the positive side, the low interest rates also mean that the cost of borrowing is cheaper than it has been in the past. However rates are beginning to rise and this has an effect on the financial position of the Council.

2.5 The Government has now announced the provisional local government finance settlement for 2011/12 and 2012/13 and this was in line with previous forecasts. For Exeter the guideline figures are as follows:

- Formula Grant 2011/12 £9,219,387 (decrease 13.8% against 2010/11 'adjusted' formula grant )
- Formula Grant 2012/13 £8,265,565 (decrease 10.3% against 2011/12 provisional formula grant )

The provisional settlement now indicates that in overall cash terms our 2011/12 grant will decrease by £1,471,049 against the 2010/11 adjusted grant amount of £10,690,436.

2.6 The adjusted grant figure of £10.690 million for 2010/11 takes into account the transfer of funding responsibility for concessionary travel to Devon County Council from 1 April 2011. The amount of funding that has been 'taken' from Exeter is £3.688 million which comprises £1.356 million of formula grant and £2.332 million of specific grant.

2.7 The provisional grant settlement confirmed that a local authority that freezes or reduces its Band D council tax in 2011/12 will receive an additional grant equivalent to having set a 2.5% increase from their 2010/11 level. Any grant paid to an authority for freezing or reducing its council tax in 2011/12 will be matched exactly in each subsequent year of the Spending Review to compensate for the income foregone for a freeze. Authorities will not have to continue to freeze or reduce their council tax from 2012/13 to continue to receive this grant. For Exeter the compensating grant that it will receive for freezing its level of council tax at the 2010/11 level will be £118,456.

2.8 It is expected that the available resources for the General Fund Capital Programme (other than borrowing) over the next 5 years will total about £13.4 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 £35 million over the next 5 years with a resultant borrowing requirement of £21.7 million. A list of the proposed new schemes for Community Scrutiny Committee is attached on page 31.

2.9 In respect of deferred charges, the government allows councils to treat some revenue expenditure as capital expenditure e.g. grants to Housing Associations, or grants to improve or develop assets owned by others (science park contributions and enhancements to the city centre). This expenditure will be shown in the revenue accounts for the year but it is financed by the use of capital receipts or borrowing and therefore these charges are removed from the net cost of services to ensure that they do not impact on the Council Tax requirement. For this reason, and to reflect the difficulty in estimating the charges to revenue, these costs will be charged to revenue and reported only with the final accounts.

2.10 The changes in respect of 2011/12 Fees and Charges for the budget are included on page 55.

2.11 The variance in respect of FRS 17 retirement benefits has increased this year as a result of the methodology used by the actuary. This is a notional figure, which is reversed out below the line; there is no impact on the Council Tax.

### 3 REVENUE BUDGET SAVINGS

- 3.1 Savings proposals to reduce the revenue base budget in 2011/12 by £2.446 million have been identified in order to alleviate the financial pressures that are facing the Council next year. These have now been reviewed by the all party Resources Member Working Group and have been incorporated within these estimates. However due to the likelihood of further revenue pressures facing the Council beyond 2011/12 other savings will need to be identified for future years.

The specific target revenue savings that have been included within the estimates for Scrutiny Committee – Community are as follows:-

#### 1 Contracts and Direct Services

3.2	Grounds Maintenance – remove funding for apprentice (currently vacant)	16,900
	Increase allotment rents and fees for sports	11,900
	Reduce standards of maintenance in various areas	37,000
	Grass over some shrub beds, remove seasonal bedding in parks	8,500
	Take five sports pitches out of play, close one bowling green, reduce maintenance of pitches and tennis courts, reduce number of changing rooms open at weekends, cease weekend pitch inspections, retender changing room cleaning contract	30,300
	Cease weekend patrols in parks	5,500
	Reduce action taken on unauthorised camping in Valley Parks	5,000
	Reduce reactive and litter picking resources	26,000
	Cemeteries – increase and restructure fees	24,700

#### 2 Leisure and Museums

	Flexible retirement of Head of Leisure and Museums – 2011/12 saving	15,000
	Isca Centre management incorporated in new sports facilities contract	10,000
	Countryside – reduce staffing by one post	30,000
	S106 income for play areas	5,000
	Cease all sports development work, play work and the scrapstore	150,000

#### 3 Environmental Health Services

	Environmental Protection – review of charges for pest control service	1,900
	Refuse collection changes – reorganised rounds	

(implemented in September 2010)	135,000
Refuse collection changes – increase charges for bulky waste and reduce free bulky collections	9,500
Refuse collection – increase charges for garden waste collection	17,000
Recycling – increased income from recyclates yield	5,000
Cleansing – Toilets – introduce charges for prime site conveniences	15,000
Less set up costs (in 2011/12 Only)	(11,000)
Licensing – increase in fees and introduce city-wide scheme	27,700
Private Sector Housing – increase HMO fees	8,800
Restructure of Commercial team – deletion of vacant post	47,500
Community patrol – service cut and restructure	68,000
CCTV – review of staffing	17,000
<b>4 <u>Housing Services</u></b>	
Restructure of Housing Needs Section	24,000
Re-negotiation of lease for 88 Alphington Road	3,000
Reduction in Strategic Housing Manager's hours	12,000
Reduction in net cost of Housing Enabling	40,000
Use of commuted sum money for provision of affordable housing	100,000
<b>5 <u>Administration</u></b>	
Staff savings from restructure already undertaken	17,500
Cessation of internal graphic design service	31,000
<b>6 <u>Staff Training</u> (budget transferred to Corporate Services)</b>	<b>129,950</b>
<b>Total</b>	<b>£1,074,650</b>

#### **4. KEY REVENUE BUDGET CHANGES PROPOSED FOR 2011/12**

- 4.1 The Revenue budgets are attached on page 33. The proposed budgets reflect a combination of budget increases and savings and the key changes are as follows:

##### **81A1 ENVIRONMENTAL PROTECTION**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £21,510 (see 2.11).

A review of staffing in Environmental Health has resulted in a decrease in the amount of pay allocated to this unit with a corresponding increase in Licensing, Food, Health & Safety (81A3).

Estimates for maintenance of equipment have been reduced to reflect the improved contracts now in place.

While fees for pest control have been reviewed in accordance with 3.2 – 3 above, the take-up of the services has been less than anticipated when the 2010/11 estimates were set and the estimated income arising for 2011/12 has therefore been revised to reflect this.

##### **81A2 CLEANSING SERVICES**

NB Operational estimates are attached in respect of this service

The impact of the FRS 17 adjustment in this unit has increased the combined estimates for pay within the operational and strategic services by £135,530 (see 2.11)

The impact of increasing fuel and maintenance costs has led to increased estimates for operational fleet costs, particularly in the operational refuse collection service.

The additional bank holiday in 2011 to celebrate the Royal Wedding will result in increased overtime costs in the operational services.

Changes in the Environment Agency's requirements will lead to a change in the way organic waste will be processed during 2011/12. This has led to increased costs for the garden waste collection service and for dealing with leaves collected by the street cleansing service. While the cost of garden waste processing will be passed on to users of the service through increased fees, the processing of leaves will lead to an increase in costs for the service. In the trading accounts, this change has resulted in increased subcontractor costs and reduced support service recharges from the Recycling service.

The cost of waste disposal in the Trade Refuse service will increase above inflation as a result of the increase in landfill tax; the fees charged to users of the service will be increased to cover this change.

The Trade Recycling service will pay a fee of £10,000 to the Recycling operational service to reflect the cost of handling the materials they collect. This will lead to a reduction in net trade refuse collection income, but a corresponding reduction in the net cost of operating the Materials Reclamation Facility (MRF) is reflected in the Recycling Management unit (81B6).

The outsourcing of the cleaning of Communal Areas by the Housing service has led to additional overheads falling on the non Housing services.

### **81A3 LICENSING, FOOD, HEALTH & SAFETY**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £24,730 (see 2.11)

A review of staffing in Environmental Health has resulted in an increase in the amount of pay allocated to this unit with a corresponding reduction in Environmental Protection (81A1).

In addition to the savings in pay arising from the deletion of a post as noted in 3.2 - 3, transport costs have reduced due to reduced allowances payable in this unit.

While Licensing fees have been increased in accordance with 3.2 – 3, the income in 2010/11 from annual premises licences has reduced as noted in the stewardship report presented to Scrutiny Committee – Community on 9<sup>th</sup> November 2010. The estimates reflect a reduction in income as a result of this.

### **81A4 PUBLIC SAFETY**

The impact of the increase in FRS 17 adjustment in this unit has increased the estimate for pay by £32,480 (see 2.11)

The review of staffing to create the savings shown in 3.2 – 3 resulted in a larger reduction than was required in pay, and there was a corresponding decrease in transport costs as a result of reduced allowances.

Partners' contributions will be less than estimated in 2010/11 and the income estimate has been reduced to reflect this.

Income from Supporting People is expected to reduce by around 5% in 2011/12.

Additional costs arose in the unit as a result of the requirement for accreditation for the Home Call service and an increase in the contract costs for maintenance of CCTV cameras.

### **81A5 WATERWAYS & COUNTRYSIDE**

The Waterways element of this unit has been transferred to the Economy and Development directorate, while the estimates for the Countryside service have been transferred into the Grounds Maintenance service (81A6)

### **81A6 GROUNDS MAINTENANCE**

NB Operational estimates are attached in respect of this service

The impact of the increase in FRS 17 adjustment in this unit has increased the combined estimates for pay within the operational and strategic services by £55,600 (see 2.11)

Capital financing costs in the operational accounts have reduced the cost of that part of the service by £19,560.

Some of the savings required in this service relate to work for the Housing service and therefore result in reduced savings for the General Fund.

S106 income available in 2010/11 is less than originally estimated. This is expected to continue into 2011/12 and the estimates have been adjusted accordingly.

The vacant Events Officer post has been deleted, and budgets relating to the promotion of events and corresponding income have also been deleted.

Support service recharges reduced as a result of reduced utility costs at the Belle Isle depot and reduced recharges from Leisure Services Management following the retirement of the Leisure Manager (see 81B1).

#### **81A7 MUSEUMS**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £65,310 (see 2.11)

The medium term financial plan included provision for overall costs of the running Royal Albert Memorial Museum (RAMM) to increase from the 2010/11 base by £353,000 in the first full year of operation. Although the Museum will not open until late in 2011/12, many of the costs will increase to those higher levels in the early part of the year, and some one-off costs will arise in preparing the museum for the reopening in December 2011.

#### **81A8 CONTRACTED SPORTS FACILITIES**

The Riverside Leisure Centre and the Isca Centre are now included under the new leisure facilities contract, and are therefore now included here rather than the Other Sports Facilities management unit (81A9). As noted in the stewardship report presented to Scrutiny Committee – Community on 9<sup>th</sup> November 2010, there are considerable savings as a result of the new contract and the estimates reflect those savings.

#### **81A9 OTHER SPORTS FACILITIES**

The Riverside Leisure Centre and the Isca Centre are now included under the new leisure facilities contract, and are therefore now included in the Contracted Sports Facilities management unit (81A8).

#### **81B1 LEISURE SERVICES MANAGEMENT**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £17,380 (see 2.11)

A vacant post has been deleted leading to a saving in pay, which has led to reduced recharges to other services.

#### **81B2 BEREAVEMENT SERVICES**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £14,160 (see 2.11)

Salaries have decreased as a result of a proportion of the salary of the Head of Service previously charged direct to this service is now included in the recharge from the Contracts Unit (see 81C6 below).

#### **81B3 PROPERTIES**

No material changes to the estimates have arisen in this unit.

## **81B5 SPORT & PLAY**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £2,190 (see 2.11)

The estimates have been amended since the informal briefing to enable this service to continue to operate until the end of the 2010/11 academic year.

As a result of the proposed reductions in this service, many of the support service costs have been removed and allocated elsewhere.

## **81B6 RECYCLING**

NB Operational estimates are attached in respect of this service

The impact of the increase in FRS 17 adjustment in this unit has increased the combined estimates for pay within the operational and strategic services by £28,120 (see 2.11)

A thorough review of the income and expenditure arising from the trading in recyclates has been undertaken. While this is a volatile market which can lead to large swings in income levels, the estimates have been amended to give a more optimistic view than in the past as historically this service tends to generate more income than estimated.

Rental income from properties at Exton Road will reduce in 2011/12.

A fee will be received from the Trade Recycling collection service which has reduced the estimated costs of this service. A corresponding increase in costs is reflected in Cleansing Services (81A2).

The Water Lane facility for handling garden waste and leaves will no longer be operated by this service as noted in Cleansing Services (81A2) and this has resulted in some overheads which were previously recharged to other services now being fully absorbed within this unit. In the trading accounts, this has led to reduced subcontractor costs and reduced recharges to other services.

AIMS recharges for the MRF have reduced resulting in lower costs for the operational service

## **81B9 ADMINISTRATION SERVICE**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £14,220 (see 2.11)

Additional savings have been made as a result of contracting service requirements. All reductions in cost are passed on to other services and are reflected in their estimates.

## **81C1 HOME IMPROVEMENTS AGENCY**

The estimates for this service have been transferred into the Private Sector Housing unit (81C4)

## **81C2 ADVISORY SERVICES**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £37,510 (see 2.11)



The change in employee costs also reflects the approved restructure of the Housing Needs Service.

A new cost centre has been created for the Preventing Homelessness Grant, so that it is separately identifiable. From April 2011, this grant replaces the Council's main homelessness grant and it has increased by £155k, from £350k to £505k, compared to 2010/11, which reflects the Government's priority to prevent homelessness and rough sleeping.

In the past the cost of temporary accommodation has been fully reclaimed from Housing Benefits, with Housing Benefits incurring the shortfall between the costs of temporary accommodation and housing benefit subsidy levels. In order to better reflect the true cost of providing temporary accommodation, the budgets have been amended so that the shortfall between temporary accommodation costs and housing benefit subsidy levels are reflected within Advisory Services. This accounts for approximately £350k of the additional budgetary requirement for Advisory Services, although the net cost to the Council remains the same.

Premises costs have increased due to contracting three more serviced temporary accommodation premises in order to meet increased demand resulting from higher levels of homelessness and to help minimise the use of bed and breakfast accommodation.

It was estimated that there would be 103 Extralet properties by the end of 2010/11, however this currently stands at 54, there is a subsequent budgeted reduction in management fee income.

### **81C3 HOUSING ENABLING**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £14,600 (see 2.11)

In order to better reflect the work undertaken by the Housing Enabling and Empty Home teams, the two cost centres, Q014 and Q015, have been amalgamated into a new cost centre entitled Affordable Housing Development.

Proposed savings of £40k from the restructure of the Housing Enabling and Empty Home teams have not been achieved in time for setting the 2011/12 estimates, as the restructure has been deferred until potential changes to the Government's approach and targets for the provision of affordable housing have been clarified.

Non recurring budgets in respect of the development of Council Own Build sites at Sivell Place and Merlin Crescent have been removed.

The income budgets include the use of commuted sum monies towards the revenue costs associated with the development of affordable homes.

### **81C4 PRIVATE SECTOR HOUSING**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £12,530 (see 2.11)

The estimate for income from licences has been increased to reflect current levels in addition to the increase in fees as proposed in 3.2 - 3.

### **81C5 SUNDRY LANDS MAINTENANCE**

There are no material changes in this unit.

### **81C6 CONTRACTS AND DIRECT SERVICES**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £44,670 (see 2.11)

The staffing in this unit has been reviewed. Several posts have been deleted or frozen, and employee costs have reduced as a result. A review of the apportionment of the unit's costs to other services has been undertaken to reflect the changing nature and balance of the work undertaken.

Following the discontinuation of the Building and Electrical Service Team (BEST) and creation of a new Buildings Maintenance service within this unit, some spare capacity has been created in Oakwood House. The cost of this accommodation has been absorbed in this unit pending a review of the use of the accommodation. The new Buildings Maintenance service has also resulted in additional costs within this unit which will be recharged to the services for which work is undertaken.

The full cost of this unit is recharged to other services.

#### **81C7 DIRECTOR – COMMUNITY & ENVIRONMENT**

The impact of the FRS 17 adjustment in this unit has increased the estimate for pay by £9,500 (see 2.11)

Staffing costs have reduced as a result of a review of staffing in the secretarial services cost centre.

5. **RECOMMENDED** that Scrutiny Committee – Community supports the estimates and proposed fees and charges for 2011/12 and recommends approval at the Special Meeting of the Council on 22<sup>nd</sup> February 2011.

**ANDY STARK**  
**HEAD OF TREASURY SERVICES**

**HAZEL BALL**  
**DIRECTOR**  
**COMMUNITY & ENVIRONMENT**

#### **COMMUNITY & ENVIRONMENT DIRECTORATE**

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