

**EXETER CITY COUNCIL**  
**SCRUTINY COMMITTEE – RESOURCES**  
**26 JANUARY 2011**

**ESTIMATES 2011/12**

**1. INTRODUCTION**

- 1.1 Attached are the draft estimates for 2011/12, which were discussed at an informal meeting of Scrutiny Committee - Resources on 13 December 2010.
- 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	1.0% - to cover any pay award and increments
• Utilities	3.0%
• Insurance	3.0%
• Rates	4.5%
• Fuel	3.0%
• General Inflation	1.0% - see para 2.3 below
• 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 £34 million over the next 5 with a resultant borrowing requirement of £20.9 million.

A list of the proposed new schemes for Resources Scrutiny Committee is attached at **Appendix 2**.

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 at **Appendix 3**.
- 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 were reviewed by the all party Resources Member Working Group and were presented at the December meetings of Scrutiny Committees to consider next year's budget. 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 revenue savings that have been included within the draft estimates for Scrutiny Committee Resources are as follows:-

	£
<b>Corporate Services</b>	
<u>IT Services</u>	
BS security standard maintenance – to be provided in-house	5,000
Staffing reduction 1.5 FTE (copy centre and Information Management)	38,000
Reformat bulk printing templates	14,000
General repair/consumables and maintenance savings	11,000
<u>Treasury Services</u>	
Service restructure – combine Cashiering and Creditors	21,900
Not filling currently vacant post in Housing Benefits section	20,200
Reduction in planned overtime	2,100
Further reduction in clerical support for Benefits and Council Tax	40,200
Deletion of Appeals Officer post partly funded by EDDC	14,000
Not filling vacant posts in Council Tax section	58,700
Reduction of clerical support for Benefits and Council Tax	20,100
Reduction of working days of an assessment officer	9,900
<u>Corporate Customer Services</u>	
Customer Service Centre – cashiers service and service development	45,000
Savings arising from combined elections	40,000
Election administration – casual staff, postage, training	9,000
Income from marriages and civil ceremonies at the Guildhall	10,000
Guildhall/Mayoralty – reduced costs re transport, staffing, etc	13,500
Civic Centre – postage, vending, publications and office cleaning	42,000

### Legal Services

Joint procurement of research and precedents information	6,000
Reduced fees for practising certificates	4,700

### Internal Audit

Additional net income from sale of CIPFA publication	20,000
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### Chief Executive Services

Reduction of CX working hours to 4 days	28,000
Reduction in staff in CX Support unit by 1 fte	44,000
Reduction of CX/ACX Admin Support	8,800
Reduction of Policy Officer working hours to 4 days	8,800
Reduction in Community Involvement and consultation budgets	10,000
Grants – various reduce by 20%	69,200
Emergency Planning Salary saving	5,000

### Human Resources

Delete IT Trainer budget	35,000
Amalgamate all service training budgets	26,000

**Total 680,100**

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

4.1 The Revenue budgets are attached at **Appendix 1**. The proposed budgets reflect some minor budget increases and some significant savings, the key changes are as follows:

### **86A1 REVENUE COLLECTION & BENEFITS**

The net cost of Housing Benefits has increased to reflect the effect of the Housing Benefit Subsidy reforms which were introduced in 2010/11. This restricted the Housing Benefits Subsidy to the prescribed Local Housing Allowance rate applicable to each type of property occupied.

A large proportion of the net cost for 2010/11 was in respect of Non Housing Revenue Account Rent Rebates (i.e. temporary accommodation for homeless persons). This cost (£350k) has been transferred to Advisory Services in Scrutiny Committee – Community for 2011/12. The remaining additional net cost in this Management Unit for 2011/12 is mainly in respect of Rent Allowances for private rented accommodation.

There has been an overall reduction in the cost of administering Revenue Collection and Benefits due to staff savings and efficiencies, despite an increase in Benefits caseload, see also 86B1 Treasury Services below.

## **86A2 ELECTIONS & ELECTORAL REGISTRATION**

There are Exeter City council elections planned for May 2011 and it has been assumed in the budget calculations that there will be a national referendum held at the same time. Subject to the two events taking place together, there will be an estimated £40,000 saving in 2011, along with some general efficiency savings.

## **86A3 CORPORATE**

There has been an increase in volume and cost of the central bank charges.

There has been a decrease in the corporate cost allocation from 86B1 Treasury Services management and 86B8 Chief Executive Services due to budget reductions and efficiency savings referred to above.

## **86A4 CIVIC CEREMONIALS**

The cost of improvements and repairs for the Guildhall has been increased through the AIM programme.

Additional net income is expected from Guildhall lettings and efficiency savings in operational costs.

## **86A5 DEMOCRATIC REPRESENTATION**

There has been no inflation provision made in the budget for Members' Allowances in 2011/12.

## **86A6 GRANTS/CENTRAL SUPPORT/CONSULTATION**

As part of the budget saving measures a reduction has been made in the core grants budget total.

The grants budget for Ring and Ride and Taxi Card has been transferred to Grants Committee from Scrutiny Committee – Economy.

Additional expenditure is being incurred on business rate relief as a result of the economic downturn.

## **86A7 UNAPPORTIONABLE OVERHEADS**

There is a balance on Central Support Services and the AIM Fund contingency that appear within Unallocated Central Costs. The actual users of these services will be recharged during 2011/12.

### **CENTRAL SUPPORT SERVICES ACCOUNTS:**

The management units listed below are recharged out across the whole of the Council and are either brought back to zero cost or have small balances left that are to be recharged back to the users of the services in 2011/12.

## **86A8 CHIEF EXECUTIVE SERVICES**

The staffing and operational costs of Chief Executive's Services have been reviewed and have resulted in budget savings throughout the department.

## **86A9 STRATEGIC / COMMUNITY PARTNERSHIPS**

This management unit brings together the Council's community partnerships with the police, health authorities and other councils to establish strategies and programmes within the Exeter area. The estimated cost of administering the partnerships is shown in cost centre S053 Community Safety, within management unit 86A6.

## **86B1 TREASURY SERVICES**

The staffing and operational costs of Treasury Services have been reviewed and have resulted in budget savings throughout the department.

The cost of administering Housing Benefits has reduced overall despite an increase in caseload and a reduction in Government grant.

The depreciation of IT equipment and software in Accountancy Services, Council Tax Collection, NNDR Collection and Benefits Administration has resulted in reduced capital financing costs.

## **86B2 INTERNAL AUDIT**

It is expected that additional net income will arise from the sale of CIPFA matrices that have been developed by Internal Audit.

## **86B3 HUMAN RESOURCES SERVICES**

All of the service based training budgets throughout the Council have been transferred to HR and added to the corporate budget; this combined training budget has been reduced and will be managed by the unit.

Capital charges have increased due to the revaluation of IT software and equipment.

## **86B4 LEGAL SERVICES**

As market conditions are still difficult to trade in there is not expected to be any increase in external fee income for legal work but there are expected to be some savings in operating costs.

## **86B5 CORPORATE CUSTOMER SERVICES**

The cost centre T047 Information & GIS Management has been transferred to 86B6 IT Services, see below.

A range of cost saving measures, including staffing, have been made within Mail, Civic Centre and the Customer Service Centre services.

Capital charges have decreased due to the depreciation of IT software and equipment.

## **86B6 IT SERVICES**

There have been some savings in the cost of administering and maintaining IT systems, including identifying printing savings in client departments through out the Council.

There has been a reduction in the capital financing costs due to the depreciation of IT software and equipment.

## **86B7 DIRECTOR CORPORATE SERVICES OFFICE**

Secretarial support for the Director is now provided by Treasury Services.

## **5. RECOMMENDATION**

That Scrutiny Resources notes this report.

## **HEAD OF TREASURY SERVICES**

### **CORPORATE SERVICES DIRECTORATE**

**Local Government (Access to Information) Act 1985 (as amended)**

**Background papers used in compiling the report:**

None