

REPORT TO: SCRUTINY COMMITTEE - RESOURCES
DATE OF MEETING: 27 January 2016
REPORT OF: Assistant Director Finance
TITLE: Scrutiny Resources - Estimates 2016-17

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 2016-17 in respect of Resources.

2. Recommendation:

That Members of Scrutiny Committee – Resources support the estimates for 2016-17 and recommends their approval at the Special Meeting of the Council on 23 February 2016.

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 Resources Services during 2016-17 are set out in the body of this report.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the revenue and capital estimates for 2016-17 in respect of Resources Services.

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 of concern for the Monitoring Officer.

8. Report Details:

BUDGET FRAMEWORK FOR RESOURCES

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 £29,930 has been set aside for inflation within Resources Services. The inflationary increases allowed in the budgets are:

Pay award	1.0%
Pay – Increments	0.5%
Electricity	1.5%
Gas	1.5%
Oil	1.5%
Water	0.0%
Insurance	5.0%
Rates	1.2%
Fuel	0.0%
General Inflation	0.0%
Income (excluding Car Parks)	1.5%

General inflation has again been held at zero; however, where there are contracts in place, inflation at around the Retail Price Index (RPI) has been added.

8.3 INTEREST RATES

In respect of interest rates, next year's budget reflects the likelihood that whilst the base rate may remain low, it is likely that they will start to rise during 2016, raising the cost of borrowing. As a result, the Council may begin to take out borrowing over a longer time-frame.

8.4 RESOURCES AVAILABLE 2016/17

The Government announced the provisional Local Government Settlement on 17 December 2015. The Council is to receive £2.022 million Revenue Support Grant in 2016/17 and has been set a Business Rates Baseline of £3.780 million, which overall is £156k lower than predicted within the Medium Term Financial Plan. At this stage there is no intention to revisit the budgets set. The final settlement is expected in late January.

The resources available to the Council to finance its net revenue budget are set out below:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant	2,899	2,022	1,320	869	365
Business Rates Baseline	3,748	3,780	3,854	3,968	4,095
Council Tax	4,761	5,030	5,099	5,239	5,383
Business Rates in excess of baseline	1,351	1,320	1,353	1,392	1,404
Resources	12,759	12,152	11,626	11,468	11,247
Increase/(decrease)	(1,125)	(607)	(526)	(158)	(221)
Annual % change	(8.1%)	(4.7%)	(4.3%)	9.1%	(1.7%)

For 2016/17 there will be differential limits that will trigger the need for a council tax referendum. As one of the lowest council tax setting Districts, Exeter will trigger a referendum if council tax is raised by more than £5 (3.7%), compared to the authority's relevant basic amount of council tax for 2015/16.

The budget strategy for next year assumes that council tax will increase in-line with referendum limits, although this decision will need to be recommended by the Executive and approved by Full Council. Along with the increase in the taxbase, this would raise an extra £269,000.

8.5 GENERAL FUND CAPITAL PROGRAMME

The proposed General Fund Capital Programme for the next three years has been established; however this is subject to a further review of the pre-approved schemes by portfolio holders and senior managers to ensure that the need for the scheme remains. The total of the current programme is as follows:

	2016/17 £	2017/18 £	2018/19 £
New Bids	310,710	18,700	0
Pre-approved	1,577,900	198,900	183,900
Total	1,888,690	217,600	183,900

The Capital Programme for Scrutiny Committee Resources is attached at Appendix 1.

8.6 KEY BUDGET CHANGES PROPOSED FOR 2016-17

The table below sets out the key changes between the budgets for the current financial year and the draft estimates for 2016-17. Please also refer to Appendix 2.

The Department for Work and Pensions announced the ending of the National Insurance discount available to employers who offer a salary related pension scheme. This means that the council and its employees will pay the standard rate of National Insurance from April 2016 rather than the discounted contracted-out rate. This change has resulted in an additional budget requirement of £272,970 on the general fund, with the impact on this committee being an increase of £77,730. Amendments have been made to applicable budgets within the individual management units.

MU Code	Management Unit	Commentary
86A1	Revenue Collection/Benefits	<ul style="list-style-type: none"> • A restructure has increased the pay budget • Grant income has been reduced • Income has been increased to reflect the recovery of overpayments
86A2	Elections & Electoral Registration	<ul style="list-style-type: none"> • A non recurring budget in respect of District Council Elections has been included. • Additional budgets have been included in respect of printing and postages. • Pay budgets have increased due to a post being made full time. • Income budgets have been reduced to reflect the ending of grant funding for a temporary post.
86A3	Corporate	<ul style="list-style-type: none"> • The corporate fee for external audit has reduced following a national review of service provision. • A review of officer time spent on corporate issues has increased the allocation to Corporate.

MU Code	Management Unit	Commentary
86A4	Civic Ceremonials	<ul style="list-style-type: none"> A non-recurring budget has been added in respect of the Armed Forces Day and the 19240 Project.
86A5	Democratic Representation	<ul style="list-style-type: none"> The budget for members' allowances has been increased. The superannuation budget in respect of members has been reduced. Support Service recharge budgets to the management unit have increased.
86A6	Grants/Cent Supp/Consultation	<ul style="list-style-type: none"> Pay budgets have increased to reflect the inclusion of a new post. Support Service recharge budgets to the management unit have increased.
86A7	Unapportionable Overheads	<ul style="list-style-type: none"> The costs of pension funding in respect of former employees is adjusted annually by Peninsula Pensions so has been updated for the 2016-17 contributions. The unoccupied office space at the Civic Centre and Oakwood House as a result of reorganisations has been shown within Unallocated Central Costs.
86A9	Strategic/Community Partners	<ul style="list-style-type: none"> The work in respect of Anti-social Behaviour is now contained within management unit 81A1 Environmental Protection in Scrutiny Community.
86B3	Human Resources	<ul style="list-style-type: none"> The overall training budget held centrally in Learning & Development was overstated in the base budget so has now been restated to the agreed £151,000.
86B4	Legal Services	<ul style="list-style-type: none"> Additional pay budgets have been included.
86B5	Corporate Support	<ul style="list-style-type: none"> Savings on utilities budgets due to replacement of boilers at Civic Centre. Asset Improvement and Maintenance budgets have been reduced. Capital Charges and rental income budgets in respect of the Civic Centre have increased.
86B6	IT Services	<ul style="list-style-type: none"> IT Services are provided by Strata Services and have been increased by inflation, agreed changes in service provision and the target savings amount.
86B8	Procurement	<ul style="list-style-type: none"> The budget for Procurement reflects the transfer of duties from the Property Maintenance Team in Scrutiny Economy.

8.7 FEES AND CHARGES

The proposed Fees and Charges for Resources Services in 2016-17 are included at Appendix 3.

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

Resources budgets contribute to 3 key purposes, as set out in the Corporate Plan; maintain the assets of our city, well run Council and customer access to help me with my housing and financial problem.

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 Team 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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