

SCRUTINY COMMITTEE – ECONOMY

20 JANUARY 2005

ESTIMATES

1. Introduction

1.1 Attached are the draft estimates for 2005-06. A draft version of the figures was considered at an informal meeting of Scrutiny Economy on 16 December 2004.

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 The estimates include assumptions for pay, general inflation and income as follows:

- Pay 2.95%
- General inflation 1.0%
- Income 3.0%
- Interest on Investments 5.0%

The 1% general inflation rate is applied to those budget headings where there is direct control over purchasing e.g. equipment, stationery etc, and is a below inflation increase in order to assist in achieving the required Gershon efficiency savings targets.

2.2 At its meeting on the 22 November 2004, Executive approved a budget strategy based on the best known data with regard to Government spending targets:

- Formula Funding Share increase 0.6%
(Environmental, Protective and Cultural Services)
- Revenue support increase 0.0%
- Council tax guideline 4.9%

2.3 The Government have now announced the provisional local government finance settlement for 2005-06. For Exeter the guideline figures are as follows:

- Formula Funding Share £16,283,197 (increase 4.1%)
- Revenue support increase £9,495,755 (increase 3.9%)

The provisional settlement now indicates that in cash terms our grant will increase by £356,486 (3.9%) compared to the current year.

2.4 Executive has identified a funding gap of £895,000 which is in part to be addressed

by a range of savings and in part by the use of balances. The Council's General Fund working balance at 31 March 2004 was equivalent to 24.6% of the Council's revenue budget. Previously it was recommended in the medium term financial strategy that the working balance should be maintained at or around 15% of the revenue budget. Whilst the current level of the Council's balances is in excess of this 15% target, the Medium Term Revenue Plan indicates that by the end of 2007/08 the General Fund working balance will be about £2.4m (17% of the forecast revenue budget).

- 2.5 The identified available resources for future year's capital programmes are expected to be about £25.429 million. There are already approved new capital schemes for funding amounting to some £4.227 million for General Fund schemes and in addition it is proposed that £5.368 million should be spent on improvements to our existing housing stock. A list of the proposed new schemes for this Committee is attached at Appendix 2.
- 2.6 The changes in respect of 2005/06 Fees and Charges for the Economy budget are included at Appendix 3 (Parking Tariffs and Land Charges fees amendments have already been considered by Executive).

3. Key Revenue Budget Changes Proposed for 2005/06

The Revenue budgets are attached at Appendix 1. The proposed budgets reflect a combination of budget increases and savings which are recommended in order to tackle the funding gap. The key changes are as follows:

3A1 PROPERTY & ESTATES SERVICES

M01 – M06; and M11: In general, income will increase across Estates Properties reflecting a number of rent reviews across the city. In addition, the budget for 2005/6 reflects the transfer of responsibility for the St Georges Retail Units into Property & Estates Services from the Markets & Halls unit (M11).

Expenditure will reduce on consultancy fees, special works and empty property costs as part of meeting the Council's savings target.

Increased expenditure is needed for Asset Improvement and Maintenance (AIM). This is largely due to an increase in reactive repairs, the requirement for asbestos inspections and removals, and the additional AIM costs associated with St Georges Retail Units.

M07: The recent decline in housing market activity has led to a decrease in demand for searches, resulting in reduced income. It is expected that this reduction will carry through to next year.

3A2 TRANSPORTATION

The Devonwide partnership provides concessionary travel for elderly people. It has been difficult to estimate the City Council's contribution to the Partnership because of the uncertainty about the withdrawal of the County Council's contribution to the budget through its subsidised services. In the event the County Council decided to phase out its contribution through the subsidised services over 5 years. Although

the exact impact is not yet known, the budget for next year will actually reduce.

In addition, savings have been identified which will reduce expenditure on consultancy fees, advertising and other general costs across the management unit.

The Capital Financing charges associated with the new footpaths created as part of the Exeter Walking Project have been transferred to 3A8 (District Highways & Footpaths).

3A3 CAR PARKING

M25: Premises costs will increase due to planned electrical works, general repairs and surveys that are due to take place in 2005/06. Additional on-going maintenance expenditure is proposed for Mary Arches Street car park in order to maintain the improved appearance of the car park following the completion of the refurbishment project. The revaluation of Mary Arches Street car park following this refurbishment will lead to an increase in capital charges.

Expenditure will reduce on temporary staffing and the cost of external insurance will decrease.

Income is increased to reflect the higher Car Parking tariffs which are proposed from 10/01/05 and the introduction of 24-hour secure parking at Mary Arches Street car park.

M27: Due to the expansion of the number of residents' parking schemes, this will now earn enough income to cover costs.

3A4 ECONOMIC DEVELOPMENT

M31: The City Sponsorship budget will be increased by a one-off contribution to the War Requiem performance to be held at the Cathedral to commemorate the end of the Second World War.

It is proposed that the budgets for start-up grants (M35), marketing (M40) and event promotions (M47) will be reduced.

3A5 FESTIVALS & EVENTS

The Box Office and Marketing costs previously held on 3B8 (Festival Administration) will be included in 3A5 according to event.

Overall ticket sale income is reduced for 2005/06 to reflect actual sales achieved in 2004/05.

M46: It is proposed that the Summer Festival budget is increased to meet statutory requirements for licences, security, health & safety, and to meet the requirements of the Disability Discrimination Act.

M64: A £10,000 grant is proposed for the Barnfield Theatre to be covered by a service level agreement to contribute to operating costs to support enhancements to the activities of the theatre in promoting performing arts and events in the city.

3A6 TOURIST INFORMATION

Salary costs will decrease for a number of reasons. As part of the savings exercise, a vacant part-time post has been deleted (M54), new staff have been recruited at the bottom of the scale and one part-time member of staff will be transferring from the Underground Passages (M58) to the AFU during the period when the Passages are closed (see below).

The reduction in staff numbers will also lead to a decrease in the support service recharges from Personnel and IT.

M58: The Underground Passages are due to close in early 2005 and re-open in July 2006 to allow work to be undertaken on the Princesshay Development; expenditure will be reduced where possible and no income will be generated.

3A8 DISTRICT HIGHWAYS AND FOOTPATHS

The contribution to AIM will reduce as several priority jobs were completed in 2004/05. A proposed additional £25,000 per annum for removing graffiti and fly posting is included and the additional time that the Engineering & Construction team will spend on associated tasks will increase the support service recharge.

3A9 BUILDING CONTROL SERVICES

The restructuring of Technical Services was agreed in January 2004 after the 2004/05 budgets had been set. The 2005/06 salary budgets are adjusted to now include the additional temporary Senior Building Control Officer post required to cover the Princesshay project and to cover market supplements in the Building Control team.

Significant additional income is also included as a result of the current surge of building works.

3B2 ADMINISTRATION SERVICE

M95: This is a new expenditure budget for the provision of the Council's Geographic Information systems (GIS) software maintenance and support for software associated with GIS development.

M96: Employee costs have reduced following the deletion of one full time post in the Administration team earlier this financial year.

3B4 ENGINEERING AND CONSTRUCTION

Following the re-structuring of Technical Services T85 (Architect) has been merged with T88 (Engineering & Construction). Overall savings have been achieved through the deletion of the Head of Service post within T89 (Technical Services Management) although T88 has inherited some of these costs.

Consultancy costs are expected to increase due to the volume of Developer Services work which is recharged to Pell Frischmann (acting on behalf of South West Water) thus also increasing income.

3B5 PLANNING SERVICES

G01: Consultancy fees have been transferred to G05 (Planning Delivery Grant)

and the Legal Services recharge is reduced based on estimated timesheet information.

G03: The graffiti budget has been transferred to District Highways and Footpaths in order to consolidate such costs.

G04: An additional £30,000 is proposed for the first stages of the preparation, adoption and publication of the Local Development Framework. A much larger sum (£220,000) will be required in 2006/07 to cover the cost of a public inquiry.

G05: This new cost centre is used to hold expenditure and income relating to the Planning Delivery Grant. A number of posts which Members have agreed will be charged against this Grant. The grant will also be used to fund consultancy work, costs awards on planning appeals and additional training. This expenditure totals £126,000 and will be funded from the Planning Delivery Grant reserve.

3B6 CONSERVATION

Additional capital charges will be incurred as a result of the installation of further floodlighting of the City Wall and historic buildings.

3B7 ARCHAEOLOGICAL FIELD UNIT

C61: Approximately forty additional staff (including a Project Manager, Project Officers, Archaeologists and 28 Excavators) will be required to work on the Princesshay project for between six and ten months in 2005/06.

C65: Additional consultancy and hired plant will also be necessary.

U92: The project will bring in additional income to offset these costs.

Salary costs for existing employees have increased on C61, C64 and C66 due to the completion of job evaluation.

The requirement for the AFU to make a surplus has been removed (Executive, 22 November 2004).

3B8 FESTIVAL ADMINISTRATION

These cost centres will no longer be used. Marketing & Box Office costs will now be directly charged to individual festival events within 3A5 (Festivals & Events) to enable the full cost of each event to be determined.

4. RECOMMENDED

That Scrutiny Committee – Economy supports the estimates and proposed fees and charges for 2005/06.

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