

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – ECONOMY
21 JANUARY 2010

2010/11 BUDGET ESTIMATES

1. Introduction

- 1.1 Attached are the draft estimates for 2010/11, a version of which were considered at an informal meeting of Scrutiny Economy on 16 December 2009.
- 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	1.5%(Including 0.5% for increments)
• Utilities	Nil
• Contracts	1.5%
• Insurance	3.0%
• Fuel	3.0%
• General Inflation	Nil (see paragraph 2.3 below)
• General Income	2.0%
• Car Park Income	2.5% (VAT only increase)
• Commercial rent	Nil

- 2.2 The pay settlement for the current year has been agreed at 1.0% for the majority of staff and a nil increase for senior staff. It is extremely likely that there will be pressure to limit public sector pay again next year and therefore it is felt prudent at this stage to budget next year for a pay increase of only 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 1.5%, up from 1.1% in September. The Retail Prices Index (RPI), the alternative measure of inflation which includes housing costs, also rose to -0.8% from -1.4%. Although the Government no longer produce targets for the RPI it is still used to determine increases in pensions, benefits and pay negotiations. The Bank of England has also said that inflation will probably go up after the temporary reduction in VAT expires in January, although inflation is then expected to fall back again. The government target for the CPI measure is 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 be no more than 3% in comparison with returns in excess of 6% that we have achieved in recent years. Conversely on the positive side, the lowering of interest rates also means that the cost of borrowing is now also cheaper. This is particularly important to the City Council now that it has to make use of borrowing in order to fund part of its capital programme.

- 2.5 The Government's Comprehensive Spending Review (CSR) that was scheduled to take place during 2009 has been postponed until after the next General Election. The CSR would have set out the Government's spending plans on all public services over the next 3 year period commencing from 2011/12. Although this decision to postpone does not impact upon the level of grant to be received next year, it does mean that planning for the medium term is made more difficult. Nevertheless, all the current indications are that after the next election, public services are likely to be set for their biggest spending cut in more than 30 years. Also, given that Health and Education are likely to remain as priority areas for government spending, the financial situation facing all district councils in particular is likely to be extremely challenging.
- 2.6 After many weeks of strong lobbying, the Government has finally issued a consultation paper which sets out their proposals for the funding of concessionary travel in 2010/11 and seeks responses from authorities, which need to be submitted by 30 December. If the proposals are endorsed they will give the Council an additional £1.65 million of special grant. Whilst this additional grant is very welcome, it will still be necessary for the Council to find revenue savings of about £1 million next year. If in the event this additional grant is not forthcoming, then further cuts of more than £1.5 million would need to be identified.
- 2.7 At its meeting on the 08 December 2009, Executive approved a budget strategy based on the best known data with regard to Government spending targets:
- Formula Grant increase 0.8%
 - Council tax guideline 4.5%
- 2.8 The available capital resources for 2010/11 are £3.150 million with an estimated spend of £13.687 million required in respect of the General Fund, of which £1.669 million is required for new approvals. This shows that the Council will have to use borrowing of £10.537 million in addition to other capital resources to finance its capital programme requirements. This will also have an ongoing impact on the Council's revenue budget. The prudential capital framework enables the Council to borrow within self-imposed targets largely based on affordability. A list of the existing and proposed schemes for Economy Scrutiny Committee is attached as Paper 3 on the Agenda.
- 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 From 2010/11, Local Authorities will be required to produce their accounts under International Financial Reporting Standards (IFRS). As a result of this move, the treatment of Government Grants / Contributions to capital schemes (Deferred Contributions) will change. Currently the income is allocated to services each year in proportion to the depreciation charged for the asset purchased. They do not impact on the Council Tax requirement as they are reversed out 'below the line'. Under IFRS these grants and contributions will be treated in our accounts as general grants received 'below the line' in the year they are due to be received. They will therefore not be credited to services and do not appear in the 2010/11 service estimates.
- 2.11 The changes in respect of 2010/11 Fees and Charges for the budget are attached as Paper 2 on the Agenda.

3 Revenue Budget Savings

- 3.1 Savings proposals to reduce the revenue base budget in 2010/11 by £1.008 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 the budget papers that are 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 2010/11 other savings will need to be identified for future years.
- 3.2 The specific revenue savings that have been included within the draft estimates for Scrutiny Committee – Economy, totalling £336,600 (£269,600 net towards the corporate target) are as follows:-

	£
1 Planning Services	
Trees – delete Landscape & Tree Officer post; Design Assistant post that assist on trees to become permanent	12,000
Enforcement – delete Senior Enforcement and Projects Officer and Investigation Officer posts; create new post of Enforcement Officer.	32,000
Delete Planning Technician 1.0 fte	23,000
Delete Implementation Officer 1.0 fte	27,500
Delete Clerical Assistant 1.0 fte	19,000
Delete Design Assistant 1.0 fte	27,500
Delete Forward Planning Officer 0.4 fte	16,000
Delete Clerical Assistant 0.2 fte	4,000
2 Parking, Engineering & Business Support	
Delete Civil Enforcement Officer 3.0 fte	64,000
Delete Clerical Officer Posts	23,000
3 Economy and Tourism	

Tourism saving	21,000
Reduction in cost of operating Underground Passages	9,500
Saving on tourism marketing	2,600
Saving on maintenance of interpretation facilities	3,000
Saving on office equipment budget	1,500
Reduction of Autumn Festival Budget	2,000
Reduction of Vibraphonic Festival Budget	14,000

4 Estates

Market Staffing 1.0 fte (net saving)	13,000
Additional rental income from properties	20,000
Saving on software licences budget	2,000

4. Key Revenue Budget Changes Proposed for 2010/11

- 4.1 The Revenue budgets are attached at Paper 1. The proposed budgets reflect a combination of budget increases and savings and the key changes are as follows:

83A1 PROPERTY & ESTATES SERVICES

In general, income is expected to increase across a number of Estates Properties reflecting a number of rent reviews across the city. In addition the one year reduction made in respect of the provision for void properties has now been removed.

The Asset Improvement and Maintenance (AIM) budget has increased. This has been offset by a reduction in the support service budgets, with the legal services budget reducing significantly. A saving has been made on the software licences budget.

83A2 TRANSPORTATION/CONCESSIONARY FARES

From 1 April 2008, the Devonwide concessionary travel scheme that provides free travel for people over 60 and those with disabilities was replaced by a nationwide scheme. Central Government has issued a specific grant allocation which is intended to cover the additional costs associated with the nationwide scheme.

The specific grant for 2010/11 is £681,000, an increase of £18,000 on the previous year. In addition central government has announced a consultation regarding the allocation of the grant nationally and indications are that ECC could receive an additional £1.65 million in grant in 2010/11; this figure has been included in the budget figures.

£5,000 is included in the budgets for the City Council's contribution to Travelsmart, approved in 2007, which will be funded from an earmarked reserve.

The increase in time spent on the concessionary fares scheme by the Economy and Development administration team has resulted in an increased support service recharge.

83A3 CAR PARKING

Savings have been made on staffing budgets due to the proposed reduction in the number of Civil Enforcement Officers employed. In addition the Asset Improvement and Maintenance (AIM) budget has reduced.

Executive has already agreed that there should be no general increase in the car parking tariffs in view of the wider economic climate. However there will be a small increase in the tariffs due to the requirement to reflect the reversion of the VAT rate to 17.5%.

The effect of the VAT only price increase and ongoing uncertain economic climate has resulted in the car park income budget reducing by some £214,000. This includes car park fees, season tickets and income from the various car park investments properties.

The budget includes costs and income related to Civil Parking Enforcement for on street parking, which is run under an Agency Agreement with the County Council. Income for this activity is expected to increase in 2010/11. Civil Parking Enforcement is budgeted to break even, and there is an agreement in place whereby any surplus or deficit will be passed over to or funded by Devon CC.

The Residents Parking Budget has reduced. As with Civil Parking Enforcement any surplus or deficit will be passed over to or funded by Devon CC. The agreement with DCC is that the cost of the Customer Service Centre remains with ECC, the budget in respect of the Customer Service Centre includes the time spent by ECC staff issuing the resident parking permits to customers. The reduction in the budget reflects the cost of staff time to be charged to DCC from 2010/11

83A4 ECONOMIC DEVELOPMENT

The major budget movement in this unit relates to estimated Capital Charges. The treatment of Capital Charges within revenue budgets is explained within the Budget Framework at the beginning of the report.

83A5 FESTIVALS & EVENTS

Officers proposed at the informal Scrutiny meeting that savings be made in this budget by a reduction in the Autumn Festival budget and the removal of the Vibraphonic Festival budget. Members at the meeting expressed concern at this proposal and if they were minded to review the officer recommendation, an alternative saving could be made in the City Centre Activities budget (a total of £10,000 is available).

83A6 TOURIST INFORMATION

It is proposed that employee budgets are reduced as part of the revenue savings identified for the committee. Budget savings are also proposed in respect of the operation of the Underground Passages.

The Tourism marketing budget is also identified as a proposed saving, as is the budget for the maintenance of interpretation facilities. Additional savings have been identified on equipment maintenance, shop purchases, publications and leaflets budgets within the management unit.

83A7 ARCHAEOLOGY IN EXETER

This is the City Council's provision to finance a programme of works in Exeter from the consultancy services offered by the Archaeological Field Unit. It is proposed that this remains as per the 2009/10 budget provision.

83A8 DISTRICT HIGHWAYS AND FOOTPATHS

The major budget movement in this unit relates to estimated Capital Charges which have reduced significantly in 2010/11.

The budget in respect of Engineering & Construction has reduced; this has been partially offset by an increase in the Asset Improvement & Maintenance (AIM) budget.

83A9 BUILDING CONTROL

Staffing budgets have been reduced as part of the savings approved by Executive in November. Building Control Fee income budget has been reduced due to the continuing uncertainty in the housing market and construction industry.

The Building Control fee-earning account is budgeted to break even, with any surplus will be transferred to, or deficit transferred from an earmarked reserve.

83B1 LAND DRAINAGE

The recharge in respect of Engineering and Construction has reduced reflecting the anticipated reduction in time spent in this area by ECC's engineers.

83B2 ADMINISTRATION SERVICE

Employment budgets have increased due to the budget for business support staff being wholly charged to this management unit where previously a proportion had been charged to Parking Services. These costs are recovered through recharges. Support service budgets in respect of IT have reduced.

83B3 DIRECTOR ECONOMY & DEVELOPMENT

There are no significant changes proposed to this budget for 2010/11, pending the Council's intended review of the management structure later in 2010.

83B4 ENGINEERING & CONSTRUCTION SERVICES

The main change in this management unit relates to income budgets. Income from external work is expected to fall significantly in 2010/11 due to the loss of sub contracted work on drainage schemes from Pell Frischman on behalf of South West Water. The relevant income budgets have been reduced to reflect this.

However, income from internal sources is expected to offset a significant amount of this loss. The additional internal income is expected due to work to be undertaken on council own build schemes

83B5 PLANNING SERVICES

The continuing uncertain economic climate and slow down in the housing and construction markets has resulted in an anticipated fall in income from planning applications by £40,000.

Staffing budgets have reduced to take account of the identified revenue savings. Support service budgets have reduced, and in particular the Economy and Development Administration team recharge to this service.

The budget for Housing & Planning Delivery Grant has increased to reflect the expected expenditure in 2010/11. The income budget in respect of the grant has been removed. The additional costs will be funded from the Housing & Planning Delivery Grant earmarked reserve.

Expenditure of £80,000 has been included in 2010/11 related to the Local Development Framework; this expenditure will be used in the delivery of various priorities. In the medium term financial plan, LDF costs are estimated at £40,000 in 2011/12.

83B6 CONSERVATION

The main change in this management unit is the increase in the Asset Improvement and Maintenance (AIM) budget.

83B7 ARCHAEOLOGICAL FIELD UNIT

Staffing costs have been reduced to reflect the continuation of reduced demand for the service, as seen in the current financial year. The slow down in the construction industry is seen as an ongoing factor affecting demand. As a result income levels are budgeted to fall further, however the management of costs in response to this is planned to obtain a

break-even position on works undertaken.

Budgets in respect of the future costs of archives, archive box charges and unfunded work on outstanding obligations have also been included.

83B9 MARKETS & HALLS

It is proposed that employee budgets are reduced as part of the revenue savings identified for the committee.

The budget in respect of the Asset Improvement and Maintenance programme (AIM) has reduced; further savings have been made on various utilities budgets.

Income is forecast to increase in a number of areas but particularly in respect of Corn Exchange events, auctioneers fees (livestock) and the Sunday Market, income budgets have therefore been increased.

5. USE OF RESERVES

5.1 The following withdrawals from earmarked reserves are budgeted to fund certain nonrecurring expenditure in 2010/11:

	£'000
Planning Delivery Grant reserve	488
Transport Initiatives	5
Habitats Assessments	9
Budgeted Use of Earmarked Reserves in 2009/10	502

6. RECOMMENDATIONS

6.1 It is RECOMMENDED that Members comment on the draft Estimates for 2010/11.

JOHN RIGBY
DIRECTOR

ECONOMY & DEVELOPMENT DIRECTORATE