

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 27 January 2010

ESTIMATES 2010/11

1. Introduction

- 1.1 Attached are the draft estimates for 2010/11, which were discussed at an informal meeting of Scrutiny Committee - Resources on 14 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 award	1.0% (this is still subject to review)
• 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 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 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 after Christmas.

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 proposed new schemes for Scrutiny Committee - Resources 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 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 included at Appendix 3.

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. Further savings in Corporate Customer Services and Treasury Services have subsequently been identified and these savings are shown as a balance on support service recharges within management unit 86A7. 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.

The specific revenue savings that have been included within the draft estimates for Scrutiny Committee Resources are as follows:-

	£
<u>IT Services</u>	
Equipment tools and materials	3,000
EDRMS/Dip licence	7,000
Host Access maintenance	1,500
Mobile computer devices	4,000
<u>Treasury Services</u>	
Accountancy Services restructure	13,000
<u>Corporate Customer Services</u>	
Staff savings in General Office	7,000
Customer Services Centre restructure	3,000
Information Management restructure	8,000
<u>Internal Audit</u>	
Additional income from sale of CIPFA matrices	10,000
<u>Legal Services</u>	
Supplies and Services	3,200
<u>Chief Executive Services</u>	
Restructure in Chief Executive Support and Member Services	20,700
Reassignment of Street Licensing to C&E	5,300
Total	85,700

4. Key Revenue Budget Changes Proposed for 2010/11

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

86A1 REVENUE COLLECTION & BENEFITS

The total cost of Housing Benefits has been adjusted to take account of the variances identified in the September 2009 stewardship report.

There has been an overall increase in the cost of administering Revenue Collection and Benefits due to an increase in caseload and the impact of the increase in capital finance charges referred to in 2.10 above, see also 86B1 Treasury Services below.

86A2 ELECTIONS & ELECTORAL REGISTRATION

There are Exeter City council elections planned for May 2010 and it has been assumed in the budget calculations that there will be a Parliamentary Election too, subject to an announcement by the Government.

The new post of Senior Electoral Services Officer has been included within the budgets.

86A3 CORPORATE

After the detailed budgets were set for the General Fund Services for 2009/10 a decision was made to reduce the budget for the 2009/10 pay award from 2.5% to 1.5%. This decision was too late to be included in service costs so the reduction was shown in this management unit - it has now been removed for 2010/11.

A revised scale of fees for external audit work to be carried out during the year will result in an increase in costs.

There has been an increase in the allocation of 86B1 Treasury Services management time to corporate, largely due to the increase in capital charges referred to 2.10 above.

86A4 CIVIC CEREMONIALS

The cost of improvements and repairs for the Guildhall has been reduced through the A.I.M. programme.

Additional rental income is due following a rent review of the high Street shop attached to the Guildhall.

86A5 DEMOCRATIC REPRESENTATION

The support service recharges for Democratic Costs have reduced overall due to budgets savings in some of the cost centres involved.

As the result of the freeze in Members' Allowances in 2009/10 there is a saving in the

budget.

The budget for Local Government Review that was created in 2009/10 has been removed, pending any final decision, although this may need to be reconsidered in light of recent developments.

86A6 GRANTS/CENTRAL SUPPORT/CONSULTATION

The rent relief granted by Grants Committee to occupiers of council-owned property has been increased to reflect rent reviews agreed or pending.

86A7 UNAPPORTIONABLE OVERHEADS

There is a credit balance on Central Support Services that appears within Unallocated Central Costs. The actual users of these services will be refunded during 2010/11.

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 2010/11:

86A8 CHIEF EXECUTIVE SERVICES

The staffing of the Chief Executive's Services has been reviewed with a resulting budget saving in employee costs.

IT staff time spent on maintaining Press & Public Relations work on the Council's web site has now been identified and a budget provision made.

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 cost of Accountancy Services has increased to reflect the investment that has been made in the new Financial Management System (eFims).

The cost of Council Tax Collection has increased due to the changes in capital finance charges referred to in 2.10 above.

The cost of administering Housing Benefits has increased overall due to an increase in caseload and the change in capital finance charges.

The majority of staff that were working in the Administration Support team have now been charged direct to the services that they work for within Treasury Services.

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

There are no significant changes to report.

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 minor savings in supplies and services.

86B5 CORPORATE CUSTOMER SERVICES

The cost of improvements and repairs for the Civic Centre has been reduced through the A.I.M. programme.

There have been increases in the cost of maintaining IT systems for the progression of Information and G.I.S. Management and the Customer Service Centre, with the majority of the increase due to the changes in capital finance charges (see 2.10 above) and the greater involvement of our own IT Services unit. In addition to the services previously covered, the Customer Service Centre now covers Council Tax and Housing Benefits as well as an enhanced telephone service.

86B6 IT SERVICES

A replacement programme for desk-top printing equipment through-out the majority of Council offices is due to be completed shortly and has been financed by savings in client cost centres.

There has been some savings in the cost of maintaining IT systems.

There has been an increase in the capital financing costs due to accounting changes referred to in 2.10 above and the amortisation of IT assets.

86B7 DIRECTOR CORPORATE SERVICES

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

5. RECOMMENDATION that members are asked to comment on the draft estimates.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None