

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – ECONOMY 20 JANUARY 2011

ESTIMATES 2011-12 FOR SCRUTINY COMMITTEE - ECONOMY

1. INTRODUCTION

- 1.1 Attached are the draft estimates for the year ended 31st March 2012.
- 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 and increments | 1.0% - to cover any pay award |
| • Utilities | 3.0% |
| • Insurance | 3.0% |
| • Rates | 4.5% |
| • Fuel | 3.0% |
| • General Inflation | 1.0% |
| • 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 £35 million over the next 5 years with a resultant borrowing requirement of £21.7 million.

A list of the proposed new schemes for Economy 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 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. These are listed in paragraph 3.2 below. 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.
- 3.2 The specific revenue savings that have been included within the draft estimates for Scrutiny Committee – Economy, totalling £801,500 are as follows: -

1.	<i>Operational Services and Transport</i>	
	Deletion of all current vacant posts in Engineering Services	£87,400
	Reduced spending on transportation initiatives	£25,600
	Bring Car Park security arrangements in house	£90,000
	Delete Senior Civil Enforcement Officer post	£27,500
	Delete Car Park Revenue Officer post and revise working patterns	£19,800
2.	<i>Tourism</i>	
	Additional income from Underground Passages	£15,000
	Withdraw grant to Visit Devon	£3,000
	Reduce design budget	£1,000
	Reduce Exeter Visitor Information Centre and Tourist Information Centre budgets	£800
	Increase group booking fees	£2,500
	Employment cost savings in Tourism Budget	£18,000
	Reduce leaflet printing budgets	£11,200
	Reduce Exeter Visitor Information Centre opening hours	£13,000
	Reduce Red Coat guide marketing	£3,300
	Stop producing Heritage Open Day leaflets	£2,000
	Stop subscription to citybreaks.org	£3,000
	Reduce Tourism marketing	£20,000
3.	<i>Economic Development</i>	
	Reduce printing budget	£1,300
	Employment cost savings in Economic Development budget	£40,000
	Stop contribution to Devon County Show	£2,000
	Stop DCC research contribution	£3,200
	Reduce maintenance and expenses budgets	£2,500
	Stop contribution to Exeter Positive Steps	£31,200
	Reduce Operational budgets	£6,000

	Reduce investment marketing budget	£10,000
4.	<i>Estates Services</i>	
	Continuation of acting up/backfill arrangements in respect of Head of Estates post	£57,500
	Increase in fee income recovered from third parties	£5,000
	Saving on IT and training budgets	£5,000
	Various budget savings at Livestock Centre	£20,000
	Various budget savings at Exeter Corn Exchange	£15,000
	Various budget savings at Markets	£2,000
	Delete vacant Markets Assistant post	£15,000
	Cease parking enforcement at the Quay and Bradninch Place	£5,000
5.	<i>Planning Services and Building Control</i>	
	Re-apportion cost to Building Control Fee earning account	£6,800
	Additional income from pre-application charges	£20,000
	Deletion of vacant Planning Enforcement post	£26,200
	Additional income from other new planning charges	£10,000
	Saving on employment budgets in Planning Services	£67,000
6.	<i>Arts and Festivals</i>	
	Stop contribution to Vibraphonic Festival	£7,000
	Reduce Summer Festival budget	£35,000
	Remove Autumn Festival budget	£13,000
	Savings on employment budgets in Arts & Festivals	£14,500
	Stop contribution to City lights switch on	£38,200

4. KEY REVENUE BUDGET CHANGES PROPOSED FOR 2011/12

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:

83A1 PROPERTY & ESTATES SERVICES

Income budgets in respect of Commercial and Miscellaneous Properties have reduced to reflect rental pressures and void allowances across the property portfolio.

The reduction of income has been partly offset by a decrease in the Asset Improvement and Maintenance (AIM) budget and the support service recharge budgets.

A budget has been included to cover any potential trading loss that may arise at the Exeter Business Centre.

The budget in respect of FRS 17 retirement benefits has increased (see 2.11 above for explanation).

83A2 TRANSPORTATION/CONCESSIONARY FARES

The budget in respect of the National Concessionary Fares Scheme has been removed as the responsibility for the scheme has been transferred to Devon County Council.

The budgets for the grant in respect of Ring and Ride and Taxi Cards have been transferred to the grants budget in Corporate Services. Support Service recharge budgets in the management unit have reduced.

83A3 CAR PARKING

Income budgets in respect of car park fees and season tickets have increased. The increase in car parking tariffs have been agreed by executive, the increased fees are anticipated to achieve in the region of an additional £250,000 in the 2011/12 financial year.

The additional income has been offset by an increase in the Asset Improvement and Maintenance (AIM) and the FRS 17 retirement benefit budgets.

The Residents Parking budget is budgeted to break even, in previous years the charge in respect of the Customer Service remained with ECC and any surplus or deficit was passed to or funded by DCC. The Customer Service Centre charge includes time spent by ECC staff issuing the residents parking permits to customers.

Budgets for costs and income related to Civil Parking Enforcement (CPE) for on street parking are included. CPE is run under an agency agreement with the County Council. CPE is budgeted to break even in 2011/12 and an agreement is in place that any surplus or deficit will be passed to or funded by Devon CC.

Support Service budgets have increased with the recharge budget in respect of the Customer Service centre increasing significantly.

83A4 ECONOMIC DEVELOPMENT

Support Service Budgets have reduced with reductions in the recharge from the Economy and Development Administration team and Estates Services.

The equipment tools and materials budget in respect of Exeter Business Against Crime has increased; this cost centre is budgeted to break even therefore the additional cost has been offset by an increase in the income budget for this area.

The FRS 17 retirement benefit budget has increased (See 2.11 for explanation).

83A5 FESTIVALS & EVENTS

The main changes in this management unit relate to the proposed savings detailed in 3.2 above.

Other budget changes are an increase in the employment budget due to the FRS17 retirement benefits change and a reduction in budget for the Information Technology support service recharge.

83A6 TOURISM

The Asset Improvement and Maintenance (AIM) budget has increased. Employment budgets have increased due to the change in FRS17 retirement benefit budget.

A new budget has been included in Supplies and services for the recruitment, preparation and briefing/updating of the voluntary guides; the additional budget has been partly offset by a reduction in the capital financing budget.

83A7 ARCHAEOLOGY IN EXETER

This is the City Council's provision to finance a programme of heritage promotion works which the Archaeological Unit undertakes on behalf of the Economy and

Tourism Unit. It is proposed that this remains at the current budget provision.

83A8 DISTRICT HIGHWAYS AND FOOTPATHS

The budget in respect of the Asset Improvement and Maintenance (AIM) Programme has decreased.

The charge for works undertaken on highways and footpaths by the ECC Engineering and Construction team has reduced resulting in a reduction in the support service recharge for this work.

83A9 BUILDING CONTROL

Support services budgets have reduced with changes in the Information Technology, Financial Services and Engineering and Construction recharges.

Capital Financing budgets have also reduced. Employment budgets have increased due to the change in FRS17 retirement benefit budget.

The Building Control fee-earning account is budgeted to break even; any surplus will be transferred to an earmarked reserve.

83B1 LAND DRAINAGE

The main change in this management unit relates to an increase in the support services budget. This increase is in respect of the recharge from the Engineering and Construction team reflecting the anticipated increase in the time spent in this area by ECC's engineers.

83B2 ADMINISTRATION SERVICE

Employment budgets have reduced due a reduction in staffing in the unit; this has resulted in the recharge to the various service areas reducing. Support service budgets in respect of IT have also reduced.

83B3 DIRECTOR ECONOMY & DEVELOPMENT

A reduction in the Administration Service recharge to this management unit has resulted in the Support Service budget reducing.

83B4 ENGINEERING & CONSTRUCTION SERVICES

Income budgets in this management unit have reduced. The income budget in respect of the Pell Frischmann contract has been completely removed; this loss of income has been offset by the removal of the expenditure budget for agency staff.

The Engineering and Construction team costs are recovered by charging services for the time spent on projects. The reduction in staffing proposed as part of the revenue savings proposals in 3.2 has resulted in less costs and therefore less income is required to cover the cost of the service.

Therefore, in addition to the removal of the Pell Frischmann income budget, other internal income budgets have also reduced.

The budget for Software Licences has reduced and various support services budgets are lower than current year budgets. Car mileage allowances and Essential User Lump Sum budgets have reduced due to the reduction in staffing within the management unit

83B5 PLANNING

The income budget in respect of planning application fees has reduced due to the continuing uncertain economic climate.

Employment budgets have increased due to the change in FRS17 retirement benefit budget. This increase has been partially offset by a reduction in support service budgets with changes in the legal services and IT recharges.

Budgets in respect of Car Mileage Allowances, Essential User Lump Sums and public transport have reduced to take account of the proposed reduction in staffing within the service.

The Housing & Planning Delivery Grant budget has reduced to reflect the proposed expenditure in 2011/12. The costs in relation to Housing & Planning Delivery will be funded from the earmarked reserve.

There has been a reduction in the Local Development Framework budget to take account of the priorities to be delivered in the year.

83B6 CONSERVATION

The budget change in this management unit relate to a reduction in the Asset Improvement and Maintenance (AIM) budget.

83B7 ARCHAEOLOGICAL FIELD UNIT

The restructuring of the Archaeological Field Unit has provided an environment that should enable the Unit to eliminate trading losses that have arisen in previous years.

However due to the competitive nature of this field of work and the ongoing uncertainty in the industry the prospect of a break even position can not be certain and a trading loss may occur. With this in mind a budget provision has been included to cover such an eventuality.

83B9 MARKETS & HALLS

Income budgets in respect of the Corn Exchange and Livestock Market have increased in a numbers of areas but particularly in respect of auctioneers fees, open air markets, lettings at both venues and Corn Exchange events.

Savings have been made in respect of staffing budgets as per the proposals in 3.2; however these saving have been partially offset due to an increase in the FRS17 retirement benefit budget.

The Asset Improvement and Maintenance (AIM) budget has increased as has the budget for event promotion at Exeter Corn Exchange.

Support Service budgets have reduced from the current year provision. The saving is as a result of reduction in the Markets & Halls overhead cost centre which is recharged to the various service areas within the management unit.

83C1 WATERWAYS

This service was transferred to Economy & Development during the 2010/11

financial year. This change has resulted in a reduction in the support service budgets in the management unit.

The support service budgets in respect of the Community & Environment Administration team has been removed as has the Leisure Services Management recharge budget; the saving on these budgets has been partially offset by the need to include a new support service budget in respect of the Economy & Development Administration team.

The Asset Improvement and Maintenance (AIM) budget has decreased; this has been partially offset by an increase in the employment budget as a result of the change in the FRS17 retirement budget.

A saving has been made on the boat maintenance budget and there has been a reduction in the Capital financing budget.

5. USE OF RESERVES

- 5.1 The following withdrawals from earmarked reserves are budgeted to fund certain non-recurring expenditure in 2011/12

Planning Delivery Grant Reserve - £155,580

6. RECOMMENDATIONS

- 6.1 **RECOMMENDED** that Scrutiny Committee – Economy supports the estimates and proposed fees and charges for 2011/12 and recommends approval at the Special Meeting of the Council on 22nd February 2011.

ANDY STARK
HEAD OF TREASURY SERVICES

KARIME HASSAN
DIRECTOR

ECONOMY & DEVELOPMENT DIRECTORATE

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

Background papers used in compiling this report:

None