

## SCRUTINY COMMITTEE – ECONOMY

17 JANUARY 2008

### ESTIMATES

#### 1. Introduction

1.1 Attached are the draft estimates for 2008/09. A draft version of the figures was considered at an informal meeting of Scrutiny Economy on 12 December 2007.

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 2.5%
- General inflation Nil (see paragraph 2.2 below)
- Income 3.0%
- Interest on Investments 5.75%

2.2 As a means of finding efficiency savings, many non-pay budgets will not be 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. fuel and electricity. The Retail Price Index (RPI) for September 2007 was 3.9%. Although the Government no longer produce targets for the RPI it is still used to determine increases in pensions, benefits and pay negotiations.

2.3 With regard to interest rates, the UK base rate has been gradually increased from 4.75% in August 2006 to 5.5% in December 2007. The overall growth and interest rate expectations of the United Kingdom economy remain uncertain in the future although many analysts are predicting that a further rise to the base rate in the coming months is unlikely and rates could even fall. Based upon the Council achieving a 5.75% return on its cash investments next year, this will yield around £1.3 million in the Council's General Fund budget. A small change of 0.1% either way from our assumption would lead to either an increase or reduction of income of around £23,000.

2.4 The latest Comprehensive Review (CSR07) indicates a tough financial settlement ahead for Local Government for the next three years. There will be an aggregate increase in external grant funding of 4.2% in 2008/09, 3.5% in 2009/10 and 3.4% in 2011/12. This amounts to a real terms increase of 1.5%, 0.8% and 0.7% over the CSR period. Given the government's priorities will continue to be for Education and Social Care, the actual grant increase for district council services is significantly less than this. The CSR07 has also indicated a significant reduction in the Local Authority Business Growth Initiative (LABGI) funding from £1 billion in CSR04 to £150 million over CSR07. There will be LABGI funding of £50

million for 2009/10 and £100 million in 2010/11, with no funding outlined for 2008/09. To date Exeter City Council has benefited greatly from this initiative having received £465,108 for 2005/06, £923,941 for 2006/07, and the current budget estimates a further £1.5 million for this (2007/08) financial year.

2.5 At its meeting on the 20 November 2007, Executive approved a budget strategy based on the best known data with regard to Government spending targets:

- Formula Grant increase 3.0%
- Council tax guideline 4.5%

2.6 The Government have now announced the provisional local government finance settlement for 2008/09. For Exeter the guideline figure is as follows:

- Formula Grant £11.893m (increase 1.4%)

The provisional settlement now indicates that in cash terms our grant will increase by £164,000.

2.7 The available capital resources for 2008/09 are £19.705 million with £19.616 million required in respect of the General Fund, of which £2.132 million is required for new approvals, and that the Housing capital programme will be some £5.217 million making a total spend of £24.833 million. This shows that the Council will have to use borrowing 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 current revenue cost of borrowing consisting of interest and loan repayments, is about £85,000 for each £1 million that is borrowed. The prudential capital framework enables the Council to borrow within self-imposed targets largely based on affordability. A list of the proposed schemes for this Committee for 2008/09 and beyond is attached at Appendix 2.

2.8 The changes in respect of 2008/09 Fees and Charges for the Economy budget are included at Appendix 3.

### **3. Key Revenue Budget Changes Proposed for 2008/09**

3.1 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:

- A technical adjustment has been made to the budget in respect of Deferred Charges. The government allows councils to treat some revenue expenditure as capital expenditure e.g. grants to Housing Associations, grants to improve or develop assets owned by others (science park contributions and enhancements to the city centre). This expenditure of £1,547,160 for Economy & Development must 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.

**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 and the additional rent due from the opening of Princesshay. In line with a decision taken by Executive several years ago, the City Council is surrendering the lease of Haven Road Industrial Estate at the end of 07/08. This will result in a net loss of income.

**3A2 TRANSPORTATION/CONCESSIONARY FARES**

From 1 April 2008 the Devonwide concessionary travel scheme that provides free travel for people over 60 and those with disabilities will be replaced by a nationwide scheme. The government have set aside a total of £212 million funding which is intended to cover the additional costs associated with the nationwide scheme; ECC have been notified that we will receive £647,000. For budgeting and accounting purposes it has been assumed that this funding will be adequate to cover the additional costs of the scheme although the actual impact cannot be known until the scheme is fully operational.

£5,000 has been included in the budgets for the City Council's contribution to Travelsmart, which will be funded from an earmarked reserve. (The same annual contribution will be made in two subsequent years.)

An additional £4,000 has been included within the Green Travel Plan budget to provide additional secure cycle parking at the civic centre.

Deferred Charges as described above have been included in respect of the Central Station Gateway Enhancement and the City Council's contribution to the Met Office public transport service.

**3A3 CAR PARKING**

Income is increased to reflect the higher Car Parking tariffs which are proposed from 7 January 2008. The additional income includes a climate change levy which will be specifically earmarked for additional initiatives to be delivered as part of the Council's climate change strategy

The £75,000 included in the 07/08 budget to provide for the net operating cost of Summerland Gate car park has been removed.

The Asset Improvement and Maintenance budget will decrease due to the completion of several service priority schemes in 07/08.

**3A4 ECONOMIC DEVELOPMENT**

M35: The £50,000 which has been included in the budget for the past two years as the City Council's contribution towards the progress and development of the Science Park has now been removed. A Deferred Charge as described above has been included in respect of the Science Park.

**3A5 FESTIVALS & EVENTS**

M46: It is proposed that this budget is increased by £20,000 in order to reflect that this budget has been cash limited for several years.

M52: It is proposed that this budget is increased by £10,000 for 2008/09 only to enable the improved Christmas launch and marketing to continue (in the last two years, this has been funded by the Princesshay budget).

M64: The Barnfield Theatre grant will now be provided from Grants Committee budgets.

### **3A6 TOURIST INFORMATION**

It is proposed that £9,000 be included for 2008/09 to raise the profile of Exeter as a sustainable visitor destination.

The Asset Improvement and Maintenance budget will decrease due to the completion of several service priority schemes in 07/08.

### **3A7 ARCHAEOLOGY IN EXETER**

This is the City Council's provision to finance a programme of works in Exeter in 2008/09 from the consultancy services offered by the Archaeological Field Unit.

### **3A8 DISTRICT HIGHWAYS AND FOOTPATHS**

Deferred Charges as described above have been included in respect of the City Centre Enhancements, the Environmental Enhancements at Fore Street, Heavitree and at Cowick Street and the Honiton Road Landscape Design Project.

Premises costs include proposed work to improve the surface of Water Lane and general maintenance of council owned footways.

### **3A9 BUILDING CONTROL**

There have been no significant changes in respect of the 2008/09 estimates.

### **3B1 LAND DRAINAGE**

There have been no significant changes in respect of the 2008/09 estimates.

### **3B2 ADMINISTRATION SERVICE**

There have been no significant changes in respect of the 2008/09 estimates.

### **3B3 DIRECTOR ECONOMY & DEVELOPMENT**

There have been no significant changes in respect of the 2008/09 estimates.

### **3B4 ENGINEERING & CONSTRUCTION SERVICES**

There have been no significant changes in respect of the 2008/09 estimates.

### **3B5 PLANNING SERVICES**

G01: A Planning Technician post that has recently become vacant is recommended for deletion. It is anticipated that income from planning applications will increase.

G02: Expenditure on the Local Development Framework will be funded from an earmarked reserve.

G05 shows the planned Planning Delivery Grant expenditure for 2008/09. The deficit will be funded from the Planning Delivery Grant reserve at the end of the year.

**3B6 CONSERVATION**

Deferred Charges as described above have been included in the budgets in respect of Conservation Area Enhancements.

It is proposed that premises expenditure be increased to include the cost of repairing retaining walls in Southernhay.

**3B7 ARCHAEOLOGICAL FIELD UNIT**

Staffing costs have been increased in order to cover additional works that are anticipated during 2008/09. Additional income will be made from these contracts to obtain a break-even position.

**3B8 MAJOR PROJECTS**

This is the estimated amount that the City Council will spend on major projects in 2008/09. This will be funded by the Princesshay earmarked reserve, which Members approved in 2000.

**3B9 MARKETS & HALLS**

The proposed Asset Improvement and Maintenance programme for 2008/09 includes alterations to the heating and repairs to the windows at the Exeter Corn Exchange.

Overall income will increase although this is partially offset by the additional costs incurred in generating this additional income.

**4. RECOMMENDED that** Members are asked to comment on the draft Estimates.

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**HEAD OF TREASURY SERVICES**

**JOHN RIGBY**  
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