

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – ECONOMY
17 JANUARY 2013

ESTIMATES 2013/14

1. INTRODUCTION

- 1.1 Attached are the draft estimates for 2013/14, which were discussed at an informal meeting of Scrutiny Committee - Economy on 13 December 2012.
- 1.2 This report outlines the strategic framework within which the estimates have been prepared, changes in accounting practices, which affect all estimates and detailed reasons for any significant changes in the Management unit estimates.
- 1.3 The budget has been amended to reflect the new management structure. However the savings target for services, have in many cases been included as a one line saving to reflect the fact that the detail has yet to be finalised.

2. BUDGET FRAMEWORK

- 2.1 With regard to inflation, an overall allowance of £300,000 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 annual inflation allowance of £300,000 has also been included for planning purposes. The inflationary assumptions that have been included for next year are as follows:

• Pay Award	1.0%
• Pay – Increments	0.5%
• Electricity	8.0%
• Gas	20.0%
• Oil	12.0%
• Water	5.1%
• Insurance	3.0%
• Rates	2.0%
• Fuel	6.0%
• General Inflation	0.0% - see para 2.2 below
• Income (excluding car parks)	2.5%

- 2.2 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 the rate of Consumer Prices Index (CPI) inflation in the UK remained unchanged at 2.7% during November. Retail prices index (RPI) inflation, which includes housing costs, fell to 3% during November, down from 3.2% in October.
- 2.3 With regard to interest rates the Bank of England has continued to put the base rate of interest on hold at only 0.5% since March 2009. Most analysts are predicting that interest are likely to remain at their historically low levels in the short term with perhaps only a modest increase towards the end of the next financial year. The low levels of interest rates affect the City Council in different ways. On the negative side the Council has to assume low investment returns on cash

deposits. Conversely, on the positive side, the low interest rates currently prevailing means that the cost of short term borrowing remains low. This is particularly important to the City Council now that it has to make use of borrowing in order to fund a significant part of its capital programme.

2.4 The Government has now announced the provisional two-year local government finance settlement covering 2013/14 and 2014/15. For Exeter the guideline figures are as follows:

- Formula Funding 2013/14 £7,811,885 (decrease 5.4% against 2012/13 'adjusted' formula funding)

The provisional settlement now indicates that in overall cash terms our 2013/14 formula funding will decrease by £445,922 against the 2012/13 'adjusted' formula funding amount of £8,257,807.

2.5 On 8 October 2012, the Chancellor of the Exchequer announced a £450 million fund for local authorities who decide to freeze council tax next year. If they do, councils, police and fire authorities will stand to receive £225 million of funding in both financial years 2013/14 and 2014/15, equivalent to raising their 2012/13 council tax by one per cent. In addition, in 2013/14 the Government will propose to lower the local authority tax referendum threshold to two per cent. After freezing its council tax for the last 2 years, the budget strategy for next year assumes that council tax will increase by 2%, which will raise an extra £96,000.

2.6 The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth. The scheme provides local authorities with a New Homes Bonus grant, equal to the national average for the council tax band on each additional property and paid for the following six years as an un-ring-fenced grant. There is also an enhancement for affordable homes. Whereas previously DCLG has allocated additional funding for the scheme in 2011/12 and 2012/13, this is no longer the case from 2013/14 onwards with funding for the scheme being 'top-sliced' from mainstream grant funding.

2.7 To date the Council has received New Homes Bonus of £389,165 in 2011/12, £1,322,664 in 2012/13 and is expecting to receive a further £2.3 million in 2013/14. The Executive has previously determined how the New Homes Bonus funding will be allocated, with 30% and 50% of the funding going towards community projects and major infrastructure respectively after a top slice for capacity building and neighbourhood planning.

2.8 The Council has previously decided not to use any of its New Homes Bonus allocation to fund any of its revenue budget services. Members may however wish to consider using part of the New Homes Bonus funding in order to meet some of the Council's additional revenue costs that have arisen as a result of more homes being built e.g. more refuse bins to collect, more streets to keep clean etc.

2.9 It is expected that the available resources for the General Fund Capital Programme (other than borrowing) over the next 5 years will total about £3.3 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 £22.2 million over the next 4 years with a resultant borrowing requirement of £18.9 million. The current extra revenue cost of borrowing are £50,000 for each £1 million that is borrowed which means the future borrowing costs of the Council's capital programme are significant and must be met within the Council's overall revenue budget. The Capital Programme must therefore be continually reviewed with a

view to reducing the programme wherever possible. With regard to proposed new capital bids, approval must be limited to those that are only absolutely essential. New bids should only be successful if they meet strict criteria such as meeting a statutory or health and safety requirement, or if there is a compelling business case to show that they will save costs or generate extra revenue in the future. A list of the proposed new schemes for Scrutiny Committee Economy is attached at Appendix 1.

- 2.10 The changes in respect of 2013/14 Fees and Charges for the budget are included at Appendix 2.

3. REVENUE BUDGET SAVINGS

- 3.1 The Medium Term Financial Plan currently indicates that the savings required next year are £890,000 with further savings required in future years. It is anticipated that the savings required for next year will be met from the current programme of structural change and service rationalisation. The required savings over the medium term are set out in the table below:-

- 3.2

Year	Required Savings £000
2013/14	890
2014/15	653
2015/16	665
2016/17	649
Total	2,857

4. KEY REVENUE ESTIMATE CHANGES PROPOSED FOR 2013/14

- 4.1 The revenue budgets are attached at Appendix 3. The proposed budgets reflect a combination of budget increases and savings and the key changes are as follows:

83A1 PROPERTY & ESTATES SERVICES

Income estimates in respect of Commercial and Miscellaneous Properties have increased due to a number of leases being renegotiated in the year.

There are increases in a number of areas with the income estimates for High Street, Little Castle Street and Sidwell Street all increasing. However, these increases have been partially offset by a reduction in the income estimates in respect of South Street and St Georges Retail Units and a small increase in the void allowance estimate.

The estimate in respect of the Asset Improvement and Maintenance programme (AIM) has reduced. The reactive repairs element of the AIM estimate and the departmental recharge from the Contracts unit has also reduced resulting in a saving.

There has been an increase in estimate to cover any potential trading loss that may arise at the Exeter Business Centre.

A saving has been made on various supplies and services estimates with reductions in the software licences and marketing estimates.

The Estates team undertake work for various services and the cost of the team is recharged based on anticipated work to be carried out in that financial year. The work that the team undertakes has altered and therefore the support service recharge estimate to this committee in respect of the Estates Team has reduced. The support service recharge estimates have been amended to reflect this change.

The change in workload will also result in an increase in the Estates team recharge to services that fall within the Community and Resources committee.

Other support service recharge estimates have also reduced with the Directorate Administration, Information Technology and Human Resources recharge to this management unit being less than the current year estimate.

83A2 TRANSPORTATION

A salary estimate in respect of the Business and Projects Manager has been funded. The estimate for the post was previously recharged via a support service recharge; therefore this estimate has been removed meaning a reduction in the associated support service recharge.

The support service recharge from the Economy and Development Administration team has been removed and the recharge from the Strategic Director to this service has also reduced.

83A3 CAR PARKING

The estimate for income has been increased by £500,000 to reflect the increase anticipated following the opening of the John Lewis car park, tariff changes and increased economic activity in the city. However, the estimated income from season tickets and Penalty Charge Notices has been reduced by £45,000 reflecting the income levels currently being experienced.

Estimated pay in the unit has been reduced as a result of the management restructure and reduced overtime costs.

The estimate for Asset Improvement and Maintenance (AIMS) charges in this unit has reduced by £20,220. In addition, the estimates for electricity (£16,000) and insurance costs (£13,000) have been reduced. However, the estimate for National Non Domestic Rates (NNDR) has increased by £35,000.

The recharge from Cleansing Services has been reduced by £14,000, which is offset by a £10,000 increase in the estimate for maintenance of pay and display equipment.

The estimate for corporate support service recharges has reduced by £20,000.

83A4 ECONOMIC DEVELOPMENT

A saving has been made on salary estimates due to a voluntary redundancy request being approved and a vacant post being deleted from the establishment.

The supplies and services estimates are less than the current year figure with a saving being identified within the general expenses element of this estimate.

The recharges to the management unit for support services has reduced with the estimates for Economy & Development Administration team, Strategic Director, Information and Technology recharges and the recharge from Estates Services all being lower than the current year estimate.

Income estimates have been reduced due to a change in the amount of external funding received from partners for City Centre Management.

83A5 ARTS AND EVENTS

The one off Olympic Torch Event estimate has been removed.

Other changes in this management unit relate to the merging of the cost centre for Vibraphonic into the renamed Arts and Events cost centre. In addition an estimate has been included to fund a small grant for the Analogue to Digital Music Show.

The support service recharges in respect of Information Technology and Civic Centre Room rental have reduced; various other recharge estimates have also reduced.

83A6 TOURISM

Changes to estimates in this management unit relate to support service recharges. The recharges in respect of Human Resources and Contracts unit are less than the current year estimate.

83A8 DISTRICT HIGHWAYS AND FOOTPATHS

The recharge from Cleansing Services for graffiti cleaning (£32,000) has been deleted as this cost is now borne by them. In addition, the estimate for electricity costs for street lighting has been reduced by £9,000 to reflect current expenditure. These savings in premises costs are partially offset by a £5,000 increase in the estimate for maintenance costs and a £15,000 increase in the estimated AIMS recharge.

The recharge from Cleansing Services for Street Cleaning has also been removed and again will be borne by them, reducing supplies and services costs in this service.

83A9 BUILDING CONTROL

The estimate for Land Charges has been included in this management unit to reflect the line management for this service.

The estimates in the management unit are split into a fee earning account and a non-fee earning account. The fee earning account has to break even and the annual estimate is set on this basis.

The fee earning account estimate has been reduced due to the removal of a post from the establishment, the effect of changes in estimates in the fee earning account is that the associated income estimate will reduce. Building Control fees and charges are set at a level to recover all expenditure incurred and can be changed in year if the fee earning account over recovers.

83B1 LAND DRAINAGE

The estimate of £2,000 for waste disposal has been deleted as it is no longer required.

Support service recharges to this service have increased.

83B2 ADMINISTRATION SERVICE

This service has been merged with other administrative and support services and is now included in the services within the Resources Scrutiny estimates.

83B3 DIRECTOR

This management unit and the associated estimates have been transferred to Chief Executive's Unit as part of the senior management restructure.

83B4 ENGINEERING AND CONSTRUCTION

Estimated pay costs in this unit have been reduced as a result of the management restructure. However, this is partially offset by the transfer of the Senior Architectural Surveyor to this service from Contracts and Direct Services. Additional costs for supplies and services associated with the post have also been transferred to this unit.

Support service estimated recharges have reduced, particularly for administrative support.

The cost of this unit is fully recharged to other services within the Council.

83B5 PLANNING SERVICES

The income estimate for planning applications has been increased partly due to the 15% fee increase implemented by Central Government. In addition to the above an additional amount of £100,000 has been included in the fee income estimate to reflect the level of income currently being received in respect of applications.

Other income sources are expected to exceed the current year estimate meaning an increase in income estimates for pre application planning fees.

The changes to the employee costs in 2013/14 are a reduction in the salary budget due to a reduction in the number of posts funded in this area, this has also resulted in the Superannuation and National Insurance estimates also being less than the current year figure.

In addition to the savings on employee costs there has been a reduction in the estimate in respect of premises, equipment tools and materials and printing.

The Housing & Planning Delivery Grant estimate has been removed. The grant ceased to be awarded and the earmarked reserve set aside to fund this expenditure has also ceased. The reductions are in respect of employee estimates as a number of posts are now funded by ECC, the transfer of the posts has also resulted in the associated on-cost estimates reducing as have the support service recharges.

The estimates held in the M802 Planning Enforcement cost centre have been moved into the M801 Planning cost centre and a new cost centre and estimate has been included in respect of the Community Infrastructure Levy.

The support service recharge to this management unit in respect of Legal services has reduced from the current year estimate.

83B6 CONSERVATION

The changes in estimates within this management unit relate to the Asset Improvement and Maintenance (AIM) estimates. An AIM priority in respect of repairs to the City Wall has been funded in 2013/14.

There has also been an increase in the Service and Maintenance and reactive repair elements of AIM. The departmental recharges to this management unit have also increased significantly.

83B7 ARCHAEOLOGICAL FIELD UNIT

The estimates included in this management unit relate to the running costs of the Custom House. They include estimates for maintenance of the premises, utility charges, insurance, National Non Domestic Rates and support service recharges.

An amount has also been included in respect of the external decoration of the building which is planned for 2013/14.

Rental income is being received in respect of the element of the property which is externally leased; no estimate for this income was included in 2012/13. Therefore a budget for this income has been included.

83B8 MAJOR PROJECTS

There are no material changes in this management unit

83B9 MARKETS AND HALLS

Income estimates for the facilities have increased with increases in open air market and the rent received in respect of the Livestock Centre.

The expenditure estimate for event promotion has increased due to the promotion of a greater number of events being held at the Corn Exchange, this increase in estimate has been more than offset by the additional income expected from the events being staged.

The pay costs for this management unit have reduced due to a small reduction in the level of staffing. This has also resulted in the estimate for National Insurance and Superannuation being less than the current year figure. A saving has also been made on the estimate for temporary contracted internal staff.

The Asset Improvement and Maintenance (AIM) estimate is less than the current year with the Service and Maintenance estimate for AIM in respect of the Livestock Centre reducing. The departmental recharge for AIM to this management unit is less than the 2012/13 figure. These reductions have been partially offset by an increase in the National Non Domestic Rates estimate.

The current year estimates included a separate cost centre (C104) for overheads which were recharged via a support service recharge to each facility on an

estimated percentage basis; the estimates within the cost centre have been removed and included in the cost centre for the relevant facility. This enables the total cost of each facility to be identified easily. The change has resulted in the support service and income estimates in the management unit reducing.

83C1 WATERWAYS

The Topsham ferry operator's post has been reviewed and this has led to increased pay costs, but this will be partially offset by increased income from fares (see below). Also, the management restructure has led to additional pay costs in this unit.

Estimated recharges from AIMS have increased by £13,820. The estimate for electricity charges from boat meters has been increased to reflect current cost experience; this will result in additional income as noted below. These increased costs are partially offset by the deletion of the recharge from Grounds Maintenance, who are now bearing the costs within their own service.

The estimate of £30,000 for the Exe Estuary review has been removed. The balance of the 2012/13 budget will be transferred into an earmarked reserve at the end of the financial year and this will be used to fund any work required in future years.

The recharge from Cleansing Services has been deleted and again the costs will be borne by them, further reducing supplies and services costs in this service.

Estimated support service recharges to this unit have reduced, particularly in relation to administrative and engineering support.

The fees charged by this service have been reviewed, and this is expected to increase income for the unit. In addition, following the review of the Topsham Ferry operation, income from fares is now retained by the Council and this is reflected in the estimates. Finally, income from boat meters for electricity is expected to increase as noted above.

STRATEGIC DIRECTOR

ASSISTANT DIRECTOR FINANCE

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

Background papers used in compiling this report

None