

**REPORT TO:** SCRUTINY COMMITTEE - ECONOMY  
**DATE OF MEETING:** 21 January 2016  
**REPORT OF:** Assistant Director Finance  
**TITLE:** Scrutiny Economy - Estimates 2016-17

**Is this a Key Decision?**

Yes

**Is this an Executive or Council Function?**

Council

**1. What is the report about?**

This report sets out the proposed revenue and capital estimates for 2016-17 in respect of Economy Services.

**2. Recommendations:**

**That Members of Scrutiny Committee – Economy support the estimates for 2016-17 and recommends their approval at the Special Meeting of the Council on 23 February 2016.**

**3. Reasons for the recommendation:**

Local authorities have a statutory duty to set an annual budget and to monitor the budget throughout the year.

**4. What are the resource implications including non financial resources**

The financial resources required to deliver Economy Services during 2016-17 are set out in the body of this report.

**5. Section 151 Officer comments:**

This report has been prepared on behalf of the Section 151 Officer to set out the revenue and capital estimates for 2016-17 in respect of Economy Services.

**6. What are the legal aspects?**

Part 2 of the Local Government Act 2003 provides the legislative framework for the process of setting and managing budgets. The act places a duty on authorities to set robust estimates, maintain adequate reserves.

**7. Monitoring Officer Comments:**

7.1 This report raises no issues of concern for the Monitoring Officer.

**8. Report Details:**

**BUDGET FRAMEWORK FOR ECONOMY SERVICES**

**8.1 ANNUAL BUDGET SETTING**

Budgets are revisited each year to make amendments for assumptions made on interest rates, inflation and other changed circumstances.

## 8.2 INFLATION

An overall allowance of £45,890 has been set aside for inflation within Economy Services. The inflationary increases allowed in the budgets are:

Pay award	1.0%
Pay – Increments	0.5%
Electricity	1.5%
Gas	1.5%
Oil	1.5%
Water	0.0%
Insurance	5.0%
Rates	1.2%
Fuel	0.0%
General Inflation	0.0%
Income (excluding Car Parks)	1.5%

General inflation has again been held at zero; however, where there are contracts in place, inflation at around the Retail Price Index (RPI) has been added.

## 8.3 INTEREST RATES

In respect of interest rates, next year's budget reflects the likelihood that whilst the base rate may remain low, it is likely that they will start to rise during 2016, raising the cost of borrowing. As a result, the Council may begin to take out borrowing over a longer time-frame.

## 8.4 RESOURCES AVAILABLE 2016/17

The Government announced the provisional Local Government Settlement on 17 December 2015. The Council is to receive £2.022 million Revenue Support Grant in 2016/17 and has been set a Business Rates Baseline of £3.780 million, which overall is £156k lower than predicted within the Medium Term Financial Plan. At this stage there is no intention to revisit the budgets set. The final settlement is expected in late January.

The resources available to the Council to finance its net revenue budget are set out below:

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant	2,899	2,022	1,320	869	365
Business Rates Baseline	3,748	3,780	3,854	3,968	4,095
Council Tax	4,761	5,030	5,099	5,239	5,383
Business Rates in excess of baseline	1,351	1,320	1,353	1,392	1,404
<b>Resources</b>	<b>12,759</b>	<b>12,152</b>	<b>11,626</b>	<b>11,468</b>	<b>11,247</b>
Increase/(decrease)	(1,125)	(607)	(526)	(158)	(221)
Annual % change	(8.1%)	(4.7%)	(4.3%)	9.1%	(1.7%)

For 2016/17 there will be differential limits that will trigger the need for a council tax referendum. As one of the lowest council tax setting Districts, Exeter will trigger a referendum if council tax is raised by more than £5 (3.7%), compared to the authority's relevant basic amount of council tax for 2015/16.

The budget strategy for next year assumes that council tax will increase in-line with referendum limits, although this decision will need to be recommended by the Executive and approved by Full Council. Along with the increase in the taxbase, this would raise an extra £269,000.

- 8.5** The proposed General Fund Capital Programme for the next three years has been established; however this is subject to a further review of the pre-approved schemes by portfolio holders and senior managers to ensure that the need for the scheme remains. The total of the current programme is as follows

	<b>2016/17</b> £	<b>2017/18</b> £	<b>2018/19</b> £
New Bids	358,500	0	0
Pre-approved	1,977,440	8,056,430	5,056,430
<b>Total</b>	<b>2,335,940</b>	<b>8,056,430</b>	<b>5,056,430</b>

- 8.6** A list of the proposed new schemes for Scrutiny Committee Economy is attached at Appendix 1.

### **8.7 KEY BUDGET CHANGES PROPOSED FOR 2016-17**

The table below sets out the key changes between the budgets for the current financial year and the draft estimates for 2016-17. Please also refer to Appendix 2.

The Department for Work and Pensions announced the ending of the National Insurance discount available to employers who offer a salary related pension scheme. This means that the council and its employees will pay the standard rate of National Insurance from April 2016 rather than the discounted contracted-out rate. This change has resulted in an additional budget requirement of £272,970 on the general fund, with the impact on this committee being an increase of £79,740. Amendments have been made to applicable budgets within the individual management units.

The Asset Improvement and Maintenance budgets have been removed from the individual management units and will be held within Corporate Property Maintenance. This is to reflect the change in management of Corporate Property Assets and to enable the implementation of the approved Corporate Property Maintenance Strategy.

MU Code	Management Unit	Commentary
81A1	Property & Estates Services	<ul style="list-style-type: none"> <li>Removal of the budget to cover any potential trading loss at Exeter Business Centre.</li> <li>Budgets in respect of income from Property Portfolio reduced to reflect revised tenancy agreements.</li> <li>Additional income from solar panels.</li> <li>Reduction in Capital Charges budgets.</li> </ul>
83A3	Car Parking	<ul style="list-style-type: none"> <li>Reduction in utilities budgets due to installation of LED lighting and solar panels.</li> <li>The premises and capital charges budgets have been moved to the 81PRAE management unit.</li> </ul>
83A4	Economic Development	<ul style="list-style-type: none"> <li>Funding for the Rugby World Cup has been replaced by a budget provision for the international Rugby 7's tournament in Exeter in July 2016.</li> <li>The City Centre Management and Christmas Lights are now being funded through the Exeter Bid</li> </ul>

MU Code	Management Unit	Commentary
		Company.
83A5	Arts & Events	<ul style="list-style-type: none"> <li>Funding has been provided for public events planned during 2016.</li> </ul>
83A6	Tourist Information	<ul style="list-style-type: none"> <li>Some pay has been moved within cost centres and the Asset Improvement and Maintenance budget transferred to be held centrally within management unit 83C5.</li> </ul>
83A8	District Highways & Footpaths	<ul style="list-style-type: none"> <li>The premises and capital charges budgets have been moved to the 81PRAE management unit.</li> </ul>
83B1	Land Drainage	<ul style="list-style-type: none"> <li>The premises and capital charges budgets have been moved to the 81PRAE management unit.</li> </ul>
83B4	Engineering/Construction	<ul style="list-style-type: none"> <li>The functions of this management unit have been transferred to Business and Commercial Operations as part of the Public Realm restructure.</li> </ul>
83B5	Planning Services	<ul style="list-style-type: none"> <li>Additional pay budgets have been included.</li> <li>Support Service recharges budgets have reduced.</li> <li>Income budgets have increased to reflect the receipt of a grant to fund an element of the additional pay budgets.</li> </ul>
83B6	Conservation	<ul style="list-style-type: none"> <li>Support Service recharges budgets have reduced significantly.</li> </ul>
83B9	Markets & Halls	<ul style="list-style-type: none"> <li>Livestock/Matford Centre rental income will be lower because of the impact of the creation of a new bus station on the site but this has been offset by the fitting of solar panels that will result in reduced electricity costs and generate an income. The solar panels will be depreciated over 10 years so there are capital charges made in the accounts.</li> <li>Asset Improvement and Maintenance budgets have been transferred to be held centrally within management unit 83C5.</li> </ul>
83C1	Waterways	<ul style="list-style-type: none"> <li>The premises and capital charges budgets have been moved to the 81PRAE management unit.</li> <li>Support Services recharge budgets have increased as a result of the creation of the Public Realm Development Team, this has been offset by a reduction in the pay budgets.</li> </ul>
83C2	Museum Service	<ul style="list-style-type: none"> <li>A shop unit is being created within the Museum that is budgeted to create a surplus to reduce overall costs.</li> <li>Asset Improvement and Maintenance budgets have been transferred to be held centrally within management unit 83C5.</li> </ul>
83C3	Contracted Sports Facilities	<ul style="list-style-type: none"> <li>Increased income will be generated as a result of the creation of a leisure trust to operate sports facilities on the Council's behalf.</li> <li>Costs in operating the sports facilities have reduced as a result of the general decrease in prices in the utilities markets.</li> <li>Asset Improvement and Maintenance budgets have been transferred to be held centrally within</li> </ul>

MU Code	Management Unit	Commentary
		<p>management unit 83C5.</p> <ul style="list-style-type: none"> <li>The budget created for the planning and design of the new leisure complex will be spent over several financial years now rather than all in the 2015-16 financial year where the budget sits. Any expenditure incurred will be funded from a reserve set aside for the new leisure complex.</li> </ul>
83C4	Properties	<ul style="list-style-type: none"> <li>Asset Improvement and Maintenance budgets have been transferred to be held centrally within management unit 83C5.</li> </ul>
83C5	Corporate Property Maintenance	<ul style="list-style-type: none"> <li>Funding has been included for works to listed buildings, the funding is for the first of a two year programme.</li> <li>The Asset Improvement and Maintenance budgets have been transferred to this management unit.</li> <li>The Property Assets Electrical Team have been transferred to the Housing Revenue Account as part of the Corporate Property Maintenance restructure.</li> </ul>

## 8.7 FEES AND CHARGES

The proposed Fees and Charges for Economy Services in 2016-17 are included at Appendix 3.

## 9. How does the decision contribute to the Council's Corporate Plan?

Economy Service budgets contribute to 3 key purposes, as set out in the Corporate Plan; keep me/my environment safe and healthy, keep place looking good, help me find somewhere to live

## 10. What risks are there and how can they be reduced?

The key risks revolve around ensuring that the Council has sufficient funds to both meet the financial plans set out in the report and to protect itself against any unexpected expenditure that occurs. The risk is mitigated by ensuring that there are sufficient reserves held to offset unexpected expenditure needs. Regular monitoring is undertaken and reported to both the Strategic Management Team and Members.

## 11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

No impact

## 12. Are there any other options?

No

**Assistant Director Finance**

**Local Government (Access to Information) Act 1972 (as amended)  
Background papers used in compiling this report:**

None

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