

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – COMMUNITY

20 JANUARY 2009

1. Introduction

- 1.1 Attached are the draft estimates for 2009/10, which are circulated for discussion and comment before they are presented to the Scrutiny Committee on January 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	1.5%
General inflation	Nil (see paragraph 2.3 below)
Income	5.0% (2.8% where VAT is applicable)
Interest on Investments	3.0%

- 2.2 An interim pay award for the current year has now been settled. Although Government policy is to try and limit public sector pay increases to no more than 2% it was felt prudent at that stage to budget for a 2.5% increase next year. However, a credit provision has been made in Resources Scrutiny Committee which provides for a 1.5% increase as the result of continued economic downturn and the January reduction in the bank base rate.
- 2.3 As a means of finding efficiency savings many non-pay budgets will 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, fuel and electricity. Recently released figures show that UK inflation fell in October from a 16-year high, as oil, food and transport costs fell. The Consumer Price Index (CPI) measure dropped to 4.5% from 5.2% in September. The Retail Price Index (RPI), the alternative measure to inflation which includes housing costs, also fell from 5% to 4.2%, the biggest fall since 2003. This downturn trend has also continued in November with further reductions to both CPI (4.1%) and RPI (3.0%). Although the Government no longer produce targets for the RPI, it is still used to determine increases in pensions, benefits and pay negotiations. With regard to next year, the Bank of England has said inflation could fall below its target of 2% and might drop as low as 1%. With regard to the RPI many economic forecasters are currently predicting that the UK's retail price index will turn negative next year.
- 2.4 In November the Bank of England reduced the base rate from 4.5% to 3% and has subsequently followed this up with further reductions to 1.5% bringing interest rates to their lowest level in the banks 315 year history. This lowering of interest rates affects the City Council in a number of ways. On the negative side, the drop in interest rates combined with the lowering of confidence in the banking sector means that we have to significantly lower our investment returns on our cash deposit in comparison with previous years. 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 which is going to make use of borrowing in order to fund part of its capital programme.

2.5 Exeter's provisional grant settlements for 2009/10 and 2010/11 are £11.999 million and £12.090 million respectively, amounting to yearly increases of only £106,000 (0.9%) and £91,000 (0.7%). For the last year of the Medium Term Financial Plan (MTFP) a grant increase of £181,000 (1.5%) has been factored in at this stage. This is slightly higher than the grant increases for the previous 3 year period because it factors in the use of more up to date population data.

2.6 The current Comprehensive Spending Review (CSR07) has also indicated a significant reduction in the Local Authority Business Growth Incentive (LABGI) grant funding from £1 billion covering the spending review period to 2007/08 to £150 million in CSR07. There will be total LABGI funding available of £50 million for 2009/10 and £100 million available in 2010/11. To date Exeter City Council has benefited greatly from this funding having received £465,108 for 2005/06, £923,941 for 2006/07 and more than £1.7 million for 2007/08. The current MTFP has therefore assumed further LABGI grant funding of £100,000 for 2009/10 and £200,000 for 2010/11.

2.7 At its meeting on the 09 December 2008, Executive approved a budget strategy based on the best known data with regard to Government spending targets:

- Formula Grant increase 0.9%
- Council tax guideline 2.9%

2.8 The available capital resources for 2009/10 are £12.496 million with an estimated spend of £14.018 million required in respect of the General Fund, of which £0.767million is required for new approvals. The Housing capital programme will be some £5.404 million making a total spend of £19.422 million. This shows that the Council will have to use borrowing of £6.926 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 current revenue cost of borrowing consisting of interest and loan repayments, is about £65,000 for each £1 million that is borrowed. This amount is lower than previously advised due to the significant reductions in the cost of borrowing that have occurred in recent months. 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 this Committee is attached at Appendix 2.

2.9 The proposed 2009/10 Fees and Charges for the budget are included at Appendix 3.

3 Revenue Budget Savings

3.1 At the meeting of the Resources Scrutiny Committee on 18 June 2008 the future budgetary position facing the Council was discussed. It was highlighted that the Council was faced with considerable financial uncertainty in the medium term both in terms of a poor financial grant settlement and potential increasing budgetary pressures from, for example, the introduction of the national concessionary travel scheme. The current medium term financial plan had therefore already identified

the need for significant ongoing revenue savings having to be identified and achieved. Arising from this it was therefore agreed to appoint an all party working group to consider the budget savings proposals for 2009/10.

- 3.2 The all party Resources Members Working Group met on 11 November 2008 to consider proposed base budget reductions totalling £1,031,100 for 2009/10. Members reviewed and noted the proposed savings which would now be presented to the appropriate scrutiny committees for consideration. The working group acknowledged that the budgets had been carefully researched but wished to emphasise that continuing vigilance would be needed to reduce expenditure in future years.
- The specific revenue savings that have been included within the draft estimates for Scrutiny Committee are as follows:-

4. Key Revenue Budget Changes Proposed for 2009/10

- 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:

1	<u>Contracts and Direct Services</u>	
	Bereavement Services Efficiency Savings	10,000
	Delete one agency surveyor (£60,000 – Gen fund £15,000)	15,000
	Best Admin Restructure (£9,000 – Gen Fund £2,300)	2,300
2	<u>Leisure and Museums</u>	
	Community Outreach Restructure	88,000
	Additional Canal Income	10,000
3	<u>Environmental Health Services</u>	
	Cleansing Efficiencies - Sweeping	35,000
	Cleansing Efficiencies – Domestic Refuse	10,000
	Recycling – additional income	30,000
	Commercial section – deletion of post	35,000
	Freeze PEHO commercial	35,000
	Discontinue separate litter enforcement	20,000
	Retirement of recycling enforcement officer	25,000
	Reduction of new revenue bid re noise enhancement	40,000
4	<u>Housing Services</u>	
	Homechoice advertising	5,000

	Homechoice software licences	2,500
	Increased income recovery for temp accommodation	67,000
	Extra income Glencoe	25,000
5	<u>Administration</u>	
	Efficiency saving 8.5 hours per week	9,000
	Saving of 0.5 fte in finance team	12,000
	Saving of 0.25 fte in secretarial team	5,000
	Total	480,800

81A1 ENVIRONMENTAL PROTECTION

A small increase in employment costs has arisen as a result of the extension of the out of hours noise prevention service. One post has been moved from this unit to 81A3 leading to a reduction in staffing costs. The estimate for advertising of Pest Control services has been reduced following the cancellation of a contract. The estimate for Data Line rental at the Control Centre has been reduced to reflect the current levels of expenditure.

81A2 CLEANSING SERVICES

NB Operational estimates are attached in respect of this service

The costs of Legionella prevention work at the vehicle wash-down and additional driver training required for insurance purposes have led to increased costs in the operational service. The operational estimates also reflect the cost of complying with new legal requirements for driver training.

Efficiency savings have been made in the operational service.

81A3 LICENSING, FOOD, HEALTH & SAFETY

An Environmental Health Technician post has been deleted in this service. Additionally, the vacant Principal Environmental Health Officer (Food Safety) post has been frozen and the vacant post of Corporate Health and Safety assistant will remain frozen.

The Business Support Team (T205) has been moved into this unit from Unit 81B9 and a post has been moved from Unit 81A1 into this team increasing the employment costs.

81A4 TECHNICAL & AGENDA 21

The estimate for software maintenance has been reduced to reflect the current level of expenditure.

81A5 WATERWAYS & COUNTRYSIDE

Funding in respect of the temporary Countryside Ranger post has been included in the budget.

The estimates for the Harbour Revision Order, consultants' fees and transport costs have been reduced; this has been partially offset by an increase in the estimate for utilities, reflecting current expenditure levels.

Various changes in support service recharges have resulted in an increase in the budget, particularly in respect of Engineering and Construction.

The estimated income in respect of canal licences has been increased.

The recharge from AIM has reduced in this management unit.

81A6 GROUNDS MAINTENANCE

NB Operational estimates are attached in respect of this service

Following a restructure, some operational costs, including two posts and fleet costs, have been moved from this unit into Bereavement Services (81B2), and the corresponding recharge has also been removed. Some additional income from s106 arrangements will arise in the operational unit.

81A7 MUSEUMS

The restructuring of the Leisure and Museums section has impacted on this management unit.

The staff budgets in respect of the design and marketing team previously in the Community Outreach management section have been transferred to this management unit; this increase has been offset by the Community Outreach management recharge being removed.

Marketing, temporary exhibition and display expenses budgets associated with the design team have also been transferred from the Community Outreach management unit.

Budgets for utilities at the Royal Albert Memorial Museum have been included

Staffing costs in respect of the Renaissance project have been reduced; this is due to an expected cut in the grant receivable. In addition, the estimated cost of superannuation contributions has been reduced to reflect the current levels of participation in the scheme.

A revenue contribution to the RAMM redevelopment capital project has been included.

The budget in respect of rental income has been reduced due to a property no longer being let.

81A8 CONTRACTED SPORTS FACILITIES

A budget has been included for the increased utility costs at the various sites, which will be payable in accordance with the terms of the Leisure Management contract. This will be funded from an earmarked reserved.

The increase in the management element of the contract has further increased budgets.

A budget in respect of the initiative to give free swimming for older people has been included, offset by grant income in respect of the scheme.

The recharge from 81A9 has reduced as a result of the ending of the leisure management contract review.

The budget for capital charges in this management unit has increased.

81A9 OTHER SPORTS FACILITIES

The non-domestic rates budget in respect of the Clifton Hill driving range has been removed to reflect the revised lease agreement; this has been partially offset by the rental income budget for the site being reduced.

A budget in respect of the initiative to give free swimming for older people has been included, offset by grant income in respect of the scheme.

The funding in respect of the review of the leisure management contract has ended; this has been reflected in the reduction in the leisure management recharge to 81A8 from this management unit

81B2 CEMETERIES & CREMATORIUM

Operational costs including two posts and some fleet costs have been moved into this unit from Grounds Maintenance (81A6), and the corresponding recharge has also been removed.

The estimates for subcontractor and plant costs have been reduced. The AIM recharge to this service has been reduced. Additional net income is expected to arise in respect of the Gardens of Remembrance and rent at the Crematorium.

81B3 PROPERTIES

The estimate for electricity costs at various sites has been reduced.

There has been an increase in the budget in respect of rental income from the various properties.

Increased recharges from AIM will arise in this unit.

Capital charges within the management unit have increased

81B5 COMMUNITY OUTREACH

The restructuring of the Leisure and Museums section has impacted on this management unit.

The staffing budget has reduced due to the design and marketing team being transferred to the Museums management unit. Two posts have been deleted as part of the restructure leading to further reductions in staffing costs. In addition, the estimated cost of superannuation contributions has been reduced to reflect the current levels of participation in the scheme.

Marketing, temporary exhibition and display expenses budgets associated with the design team have also been transferred to the Museums management unit.

Splash scheme expenditure and income budgets have been reduced to reflect the potential ending of the scheme as part of the restructure.

The budgets in respect of Be Active for Life have been transferred to the Play Development cost centre

The Community Outreach management service expenditure and income recharges have been removed from the Support Service and income budgets.

81B6 RECYCLING

NB Operational estimates are attached in respect of this service

The current economic climate has adversely affected the market for recycled materials. The situation remains unsettled and the estimates have been made on the best information available, reflecting a significant reduction in income.

A Recycling Education and Enforcement will retire during the year to 31 March 2010, and the post will then be frozen leading to a reduction in costs..

AIM recharges in this unit have been reduced.

81B9 ADMINISTRATION SERVICE

This unit has been restructured, with the Business Support Team (T205) being moved to Unit 81A3, and the Secretarial Support Team (T204) being moved to Unit 81C7.

Efficiency savings are anticipated and these have been reflected in the estimates. All reductions in cost are passed on to other services and are reflected in their estimates.

81C1 HOME AID

There are no significant changes to the budget for 2009/10

81C2 ADVISORY SERVICES

A budget has been included for the Devon Choice Based Lettings Co-ordinator, this budget will be funded by an associated grant.

An increase in the agency staff budget for the Home Choice scheme and the Glencoe supported accommodation site has been funded.

A reduction in the security patrol budget in respect of supported sites has been made.

The void repairs budget for private sector leased properties has been increased; this has been offset by a reduction in the budget for repairs to hand backs and reactive repairs on the same properties.

The serviced temporary accommodation budget has been increased due to a new

contracted property being leased; a small increase in the bed and breakfast budget has also been included. The increase in these budgets is offset by an increase in estimated Housing Benefits and rent income

A saving has been made in respect of the Home Choice advertising budget and the Spend to Save budget which is now being grant funded.

81C3 HOUSING ENABLING

Funding in respect of the PORCH project has come to an end.

Budgets have been increased in respect of the Empty Homes Initiative; the additions in the budget will be funded by the earmarked reserve.

The budgets have increased for staffing and rents due to landlords in the Extralet scheme, these increases will be offset by additional income budgets for Housing benefit and the property management fee charged as part of the scheme.

Capital charges within this management unit have increased.

81C4 PRIVATE SECTOR HOUSING

Following a change in accounting practice, grant money recovered will no longer be credited to this unit, which has led to a reduction in income.

81C5 SUNDRY LANDS MAINTENANCE

There are no significant changes to the budget for 2009/10.

81C6 CONTRACTS AND DIRECT SERVICES

The estimates reflect a reduction in staffing levels in this unit. All costs of this service are recharged to other services and projects, and the recharges reflect the reduced costs.

81C7 DIRECTOR – COMMUNITY & ENVIRONMENT

The Secretarial Support Team (T204) has been moved into this unit from Unit 81B9. There are no other significant changes to the estimates for this service.

4. **RECOMMENDED** that Scrutiny Committee – Community supports the estimates and proposed fees and charges for 2009/10 and recommends approval by the Executive.

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