

**EXETER CITY COUNCIL**  
**SCRUTINY COMMITTEE – RESOURCES**  
**28 JANUARY 2009**

**ESTIMATES 2009-10**

**1. Introduction**

- 1.1 Attached are the draft estimates for 2009/10, which were presented to a briefing for members of Scrutiny Committee - Resources on 15 December 2008.
- 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 2.3 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 is felt prudent at this stage to budget for a 2.5% increase next year.

- 2.3 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. insurance, fuel and electricity. The Retail Price Index (RPI) for September 2008 was 5%. 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 in December with a further reduction to 2% bringing interest rates to their lowest level since 1951. 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 and this was noted by the Council at its meeting on 16 December 2008:
- Formula Grant increase 0.9%
  - Council tax guideline 2.9%
- 2.8 The available capital resources for General Fund and Housing for 2009/10 are £12.117 million. An estimated spend of £15.241 million is required in respect of the General Fund, of which £0.767million is required for new approvals. The Housing capital programme will be some £5.06 million. There will be a total spend of £20.301 million. This shows that the Council will have to use borrowing of £8.184 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 changes in respect of 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 - Resources are as follows:

	£
<u>IT</u>	
Saving on new copy centre printer lease	10,500
Reduction in colour copying costs	10,000
Termination of SIEMENS disaster recovery contract	6,000
Removal of annual desktop printer maintenance	7,100
<u>Treasury Services</u>	
Reduce Staffing Levels:-	
NNDR	0.4 fte
Council Tax Recovery	0.5 fte
Housing Benefit	2.2 fte
	70,000
<u>Corporate Customer Services</u>	
Non-filling of a vacant customer services officer post	22,000
Siemens Contract	3,000
Flowers at Civic Centre	7,000
Guildhall private hire charges	1,000
<b>Total</b>	<b>136,600</b>
<u>Chief Executives</u>	
Reduce City News	4,000
Restructure in Policy Unit	6,000
Delete temp media support post	25,000
<b>Total</b>	<b>35,000</b>
<u>Other</u>	
Reduction in advertising costs	40,000
Reduction in employers pension contributions	80,000

**Total 120,000**

#### **4. Key Revenue Budget Changes Proposed for 2009/10**

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:

##### **86A11 REVENUE COLLECTION / BENEFITS**

An increase of 5% has been applied to both Council Tax and Rent Allowance benefits and an increase of 6.2% has been applied to the Housing Revenue Account rent benefits in line with rent increases for 2009/10.

The total cost of Housing Benefits has been adjusted to take account of the variances identified in September 2008 stewardship report.

The above increases in cost have been offset by an anticipated increase in the Housing Benefits Subsidy.

There are also savings in support service costs; in particular there is a reduction in Housing Benefit Investigation, and Council Tax and Business Rate administration due to staff savings and Pension Fund adjustments.

##### **86A2 ELECTIONS & ELECTORAL REGISTRATION**

There are no Exeter City council elections planned for 2009 but there will be European Parliamentary Elections and, subject to the local government review decision, Devon County Council Elections that will be combined and take place across the City on 4 June 2009.

##### **86A3 CORPORATE**

A revised scale of fees for external audit work to be carried out during the year will result in an increase in costs.

Some of the central bank charges being incurred have been identified as relating to Council Tax so the budget has been transferred to management unit 86B1 Treasury Services, see below.

##### **86A4 CIVIC CEREMONIALS**

The initial project budget for the conservation of some historic paintings in the Guildhall has now been removed following the completion of this programme of work.

##### **86A5 DEMOCRATIC REPRESENTATION**

The support service recharges for Democratic Costs have reduced overall with the major reason being the reduction to cost centres in their pension contributions under FRS17 accounting regulations.

The IT support costs of Members Expenses have been reduced due to the limitation of access to the live operating systems.

##### **86A6 GRANTS/CENTRAL SUPPORT/CONSULTATION**

The rent relief granted by Grants Committee to occupiers of council-owned property has been increased to reflect rent reviews agreed or pending.

The administration costs for the Community Safety Partnership and Anti-Social Behaviour Co-ordinator are budgeted for in full.

The initial two-year project for capacity building support to residents, officers and elected members that is part of Community Inclusion and Involvement is ending but

budgetary provision has been included for 2009-10.

#### **86A7 UNAPPORTIONABLE OVERHEADS**

There is a small balance on Central Support Services that appear within Unallocated Central Costs. The actual users of these services will be recharged during 2009-10.

#### **CENTRAL SUPPORT SERVICES ACCOUNTS:**

The management units listed below are recharged out across the whole of the Council and are either brought back to zero cost or have small balances left that are to be recharged back to the users of the services in 2009-10:

#### **86A8 CHIEF EXECUTIVE SERVICES**

As referred to in the budget notes for management unit 86A6 above, a budget for neighbourhood engagement has been extended in to 2009-10.

The staffing of the Chief Executives Services has been reviewed with a resulting budget saving in employee costs.

#### **86A9 STRATEGIC / COMMUNITY PARTNERSHIPS**

This management unit brings together the Council's community partnerships with the police, health authorities and other councils to establish policies and programmes within the Exeter area. The full cost of administering the partnerships is shown in cost centre S053 Community Safety within management unit 86A6.

#### **86B1 TREASURY SERVICES**

The cost of Accountancy Services has increased to reflect the investment that has been made in the new Financial Management System (EFims) in April 2008.

The cost of Council Tax Collection has reduced due to additional income and reduced operational expenses, support services and capital finance charges.

The set-up expenses for the Local Housing Allowance Scheme (T008) that commenced in April 2008 is being met by Government Grant.

#### **86B2 AUDIT**

There are no significant changes to report.

#### **86B3 HUMAN RESOURCES SERVICES**

The majority of the temporary staffing arrangements that have been in place to review advertising, recruitment and retention policies will cease during 2009.

Budgets have been increased to cover the costs of upgrades in software and user licences.

#### **86B4 LEGAL SERVICES**

There are no proposed increases in external fee income for legal work.

#### **86B5 CORPORATE CUSTOMER SERVICES**

The cost of improvements and repairs for the Civic Centre has been reduced through the AIM. programme.

There have been increases in the cost of purchasing and maintaining IT systems for the progression of Information and G.I.S. Management and the Customer Service Centre, the latter having expanded further during 2008. In addition to the services previously covered, the Customer Service Centre now covers Council Tax and

Housing Benefits as well as an enhanced telephone service.

**86B6 IT SERVICES**

There has been a reduction in the cost of both black and white and colour copies in the Copy Centre due to new equipment leases.

There has been a small overall increase in the cost of maintaining IT systems as the number of users and systems across the council has increased.

There has been a small reduction in the capital financing costs of Desktop and Network Support (T049) due to a reduction in depreciation charges.

**86B7 DIRECTOR CORPORATE SERVICES**

There are no significant changes to report.

**4. RECOMMENDED that Members are asked to consider the draft Estimates for 2009.**

HEAD OF TREASURY SERVICES

DIRECTOR CORPORATE SERVICES

CORPORATE SERVICES DIRECTORATE

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

**Background papers used in compiling the report:**

None