

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – COMMUNITY

16 JANUARY 2007

OPERATIONAL ACCOUNTS

ESTIMATES

1. Introduction

1.1 Attached are the trading account estimates for 2007/08 for consideration by the Scrutiny Committee - Community. A draft version of the figures was considered at an informal meeting of Scrutiny Community on 19 December 2006.

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 1.0% (see paragraph 2.2 below)
- Income 3.0%
- Interest on Investments 5.0%

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, fuel and electricity. The Retail Price Index (RPI) for September 2006 was 3.6%. Although the Government no longer produce targets for the RPI it is still used to determine increases in pensions, benefits and pay negotiations. Indications are that inflation is likely to continue to remain at the current relatively low levels.

2.3 At its meeting on the 21 November 2006, Executive approved a budget strategy based on the best known data with regard to Government spending targets:

- Formula Grant increase 5.9%
- Council tax guideline 2.9%

2.4 The Government has now announced the provisional local government finance settlement for 2007/08. For Exeter the guideline figure is as follows:

- Formula Grant £11,663,930 (increase 5.9 %)

The provisional settlement now indicates that in cash terms our grant will increase by £652,807.

2.5 In addition, the Council expects to receive in 2007/08 the third (and possibly final year) of its Local Authority Business Growth Incentive Grant (LABGI). In 2005/06, the Council received £465,108 of LABGI grant and the Government has recently announced that local authorities could expect to receive even more grant in the second and third years by abolishing the current grant ceiling and scaling factor arrangements. The scheme is set to run for three years (2005/06 to 2007/08) and can allocate £1 billion to eligible local authorities in England. The year 2 grant payment (for the current 2006/07 year) will not be announced until February 2007 and it is, therefore, expected that the year 3 payment will be on a similar timescale. The continued economic and business growth within the City gives cause for some optimism with regard to the potential LABGI grant for both the second and third years. For the purposes of the revised medium term financial strategy it has been assumed that £1 million of LABGI grant will be awarded in 2006/07 and a further £1.5 million in 2007/08.

3. Key Revenue Budget Changes Proposed for 2007/08

3.1 The Revenue budgets are attached at Appendix 1. A technical adjustment to the budget in respect of service cost pension contributions (FRS17) has been made in line with required accounting practice. This amendment is reversed out below the line to show the actual cost to the Council and, therefore, has no impact on the Council Tax. The treatment is similar to the way we account for capital charges.

3.2 Changes introduced by the 2006 Statement Of Recommended Practice (published in July 2006) have resulted in the removal of notional interest from the Capital Charges with effect from 2006/07 onwards and this has been reflected in the 2007/08 accounts for the first time.

The proposed budgets reflect a combination of budget increases and savings and the key changes are as follows:

CLEANSING

The trade refuse service will incur additional costs for waste disposal as a result of both the increase in Landfill Tax and LATS (Landfill Allowance Trading Scheme) recharges. In addition, a major contract and several smaller customers have been lost, as competition in the city has increased for this service.

Additional funding has been included to enable the domestic refuse service to deal with the increased number of households in the city. The funding for replacement wheeled bins has also been increased as many of the bins are now reaching the end of their lives.

Additional funding has been included to enhance the cleaning of Cathedral Yard.

The costs of the garden waste service have reduced as a result of the increased recycling credits generated. Additional recycling credits are also being received for leaves collected by the street sweeping service.

Depreciation charges in the domestic refuse collection service have decreased.

GROUNDS MAINTENANCE

The estimates have been increased to fund the employment and training of an apprentice. Capital costs have reduced, and AIM recharges have increased.

The cost of small plant (items costing less than £5000) will no longer be funded from capital, and the unit's overhead budgets have therefore been increased to accommodate this cost.

CEMETERIES

The cost of small plant (items costing less than £5000) will no longer be funded from capital, and the revenue budgets have therefore been increased to accommodate this cost.

RECYCLING AND THE MRF

Increased costs of maintaining plant at the MRF have been reflected in the estimates. This is partially offset by increased income from recycled materials as a result of increased levels of recycling.

Increased fleet costs have also been funded, and AIM charges for the MRF building have increased.

4. **RECOMMENDED** that Scrutiny Committee – Community supports the estimates and proposed fees and charges for 2007/08 and recommends approval by the Executive.

ANDY STARK
HEAD OF TREASURY SERVICES

HAZEL BALL
DIRECTOR
COMMUNITY & ENVIRONMENT