

## SCRUTINY COMMITTEE – ECONOMY

18 JANUARY 2007

### ESTIMATES

#### 1. Introduction

1.1 Attached are the draft estimates for 2007/08. A draft version of the figures was considered at an informal meeting of Scrutiny Economy on 13 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 relative 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 have 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 will expect to receive in 2007/08 the third (and possibly final year) of its Local Authority Business Growth Incentive Grant (LABGI) payments. 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 may 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 awarded to the Council for both the second and third years and therefore 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.
- 2.6 The available capital resources for 2007/08 are £25.941 million with £19.157 million in respect of the General Fund, of which £3.348 million is available for new approvals, and that the Housing capital programme will be some £6.343 million. A list of the proposed new schemes for this Committee is attached at Appendix 2.
- 2.7 In order to help improve overall delivery and monitoring of the capital programme, schemes have been placed within 2 categories C1 and C2. Category C1 is for those schemes that the Council is committed to and reasonably certain of being able to deliver within planned timescales. Conversely category C2 is for those schemes that the Council is committed to but are less certain of being able to be delivered due primarily to factors outside of the control of the Council. It is also acknowledged that some schemes would have elements within both categories
- 2.8 The changes in respect of 2007/08 Fees and Charges for the Economy budget are included at Appendix 3. (Parking Tariffs have already been considered by Executive).

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

### **3A1 PROPERTY & ESTATES SERVICES**

M01 – M06 and M11: In general, income will increase across Estates Properties reflecting a number of rent reviews across the city and the additional rent due from the opening of Princesshay premises part-way through the year.

M07: With effect from 1 April 2007 Local Authorities will no longer be able to make a surplus on any Land Charge services. ECC will be responsible for setting the majority of the fees and charges and these are budgeted to break even. However, for Personal Searches the fees will continue to be set by the Lord Chancellor at £11 per search which will result in a small deficit for this service.

Estates officers are no longer able to offset disposal expenses against their general fund capital receipts. This has resulted in recharges to other services within the Estates unit being increased.

### **3A2 TRANSPORTATION/CONCESSIONARY FARES**

It is currently estimated that ECC's contribution to the Devonwide Partnership providing free-travel across Devon for people over 60 and those with disabilities will be £1.5 million for 2007/08. However, a planned reduction in the rate of reimbursement to bus operators based on strong evidence of a much higher level of travel demand than originally predicted and continued discussions on the precise model of cost apportionment to be applied across partner authorities (drawing on evidence from a recent survey of Devonwide pass-holders) suggests that £1.5 million is a reasonably cautious estimate. This budget will be monitored carefully over the coming months and reviewed in the context of developments relating to the scheme.

### **3A3 CAR PARKING**

The Asset Improvement and Maintenance budget will decrease due to the completion of several service priority schemes in 2006/07.

It is proposed that £75,000 be included to provide for the net operating cost of Summerland Gate car park (assuming ECC wins the management contract).

In accordance with the 2006 Statement of Recommended Practice, notional interest charges have been removed from the budgets.

Income will be reduced to reflect the current underlying trend, the planned temporary loss of capacity at the Guildhall car park and the likely impact of the new privately run Central Station car park. These reductions will be partially offset later in the year by increasing income resulting from higher levels of shopping activity once Princesshay has opened.

### **3A4 ECONOMIC DEVELOPMENT**

M35: It is proposed that this budget is increased by £30,000 to provide grant aid to Devon Wildlife Trust to help fund a Wild City Project Officer and by £15,000 to contribute towards the Food Festival.

M37: It is proposed that this budget be increased to provide funding for Police Community Support Officers to improve enforcement in the Cathedral Green and Princesshay areas. It is expected that Land Securities and local businesses operating pavement cafes will contribute towards these costs. It is also proposed that funding be included to provide additional resources for the City Centre Management function necessitated by the completion of Princesshay; it is expected that Devon County Council and private sector partners will contribute towards these costs.

### **3A5 FESTIVALS & EVENTS**

M45: It is proposed that this budget is increased to undertake additional initiatives to improve access for those with disabilities to information, events and activities.

M52: The 2006/07 Christmas Events budget included a one-off amount to provide the ice-rink; this budget has been removed for 2007/08.

### **3A6 TOURIST INFORMATION**

The Tourist Information Centre budget is increased to allow for the additional premises costs associated with the new facility within the Princesshay development.

The Underground Passages will also re-open in the Princesshay development during autumn 2007/08 and it is proposed that these budgets be increased to provide additional members of staff to safely operate the Underground Passages over extended hours. Budget increases are also required to meet additional premises and running costs although these will be partially offset by budgeted income.

### **3A7 ARCHAEOLOGY IN EXETER**

This is ECC's provision to finance a programme of works in Exeter in 2007/08 from the consultancy services offered by the Archaeological Field Unit.

### **3A8 DISTRICT HIGHWAYS AND FOOTPATHS**

Additional time spent by the Engineering & Construction team on District Highways and Footpaths will increase the support service recharge.

In accordance with the 2006 Statement of Recommended Practice, notional interest charges have been removed from the budgets.

### **3A9 BUILDING CONTROL**

A temporary full time Senior Building Control Officer post created to cover the Princesshay project has been deleted. A part time Technical Administrator post has been created to deal with a significant range of new obligations.

The surge of new building works within the city has now slowed and as a result the recharge made by the Engineering and Construction team to Building Control will decrease and income will also be less.

**3B1 LAND DRAINAGE**

The Asset Improvement and Maintenance budget will decrease due to the completion of works at Mincinglake reed bed and the sluice for Higher Leat intake at Bonhay Road in 2006/07.

**3B2 ADMINISTRATION SERVICE**

The FRS 17 adjustment described above (3.1) increases the employee costs which then in turn increase the support service recharges.

**3B3 DIRECTOR ECONOMY & DEVELOPMENT**

There have been no significant changes in respect of the 2007/08 estimates.

**3B4 ENGINEERING & CONSTRUCTION SERVICES**

It is proposed that expenditure be increased on temporary staffing and consultancy.

**3B5 PLANNING SERVICES**

G01: It is proposed that £10,000 be included for the maintenance of the strategic signage which will be installed in January. It is anticipated that income from planning applications will increase.

G02: It is proposed that this budget remain at £20,000 for 2007/08. The public inquiry is not now expected to go ahead until 2008/09. All expenditure on the Local Development Framework will be funded from an earmarked reserve.

G05 shows the estimated Planning Delivery Grant income for 2007/08 and expenditure, including additional staffing, as approved by the Executive (24 January 2006). It is anticipated that the grant income will be considerably less than in previous years. Any deficit will be funded from the Planning Delivery Grant reserve at the end of the year.

**3B6 CONSERVATION**

The Asset Improvement and Maintenance budget will decrease due to the completion of several service priority schemes in 2006/07.

**3B7 ARCHAEOLOGICAL FIELD UNIT**

Pay has been transferred from C61 to C64 for several members of staff.

**3B8 PRINCESSHAY/MAJOR PROJECTS**

This is the estimated amount that ECC will spend on Princesshay related works in 2007/08. This will be funded by the Princesshay earmarked reserve, which Members approved in 2000.

**3B9 MARKETS & HALLS**

The Asset Improvement and Maintenance budget will decrease due to the omission of the budget for annual repairs which will be funded from the current year's budgetary provision.

Casual staffing and contractors budgets will decrease following the recent staffing review.

In accordance with the 2006 Statement of Recommended Practice, notional interest charges have been removed from the budgets.

4. **RECOMMENDED that** Members are asked to comment on the draft Estimates.

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