

REPORT TO: Organisation Improvement & Environment Overview
and Scrutiny Commission

DATE: 21 January 2008

DEPARTMENT: Development Services

REPORTING OFFICER: Head of Highways & Transport
John Burton

SUBJECT: DRAFT GENERAL REVENUE FUND BUDGET
**2008/09 – TRANSPORT BUSINESS UNIT
PLANNING & TRANSPORT PORTFOLIO**

WARD/S AFFECTED: ALL

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

1.1 The report sets out proposals for the Revised Estimates (RE) 2007/08 and the Original Estimates (OE) for 2008/09 in respect of the services within the Transport Business Unit, Planning and Transport Portfolio

2.0 RECOMMENDATION/S

The Cabinet Member is requested to:

- 2.1 Note the revised 2007/08 estimates.
- 2.2 Recommend the OE for the Transport Business Unit 2008/09 to Cabinet.
- 2.3 Note the efficiency savings made in this Business Unit.
- 2.4 Note the projections for 2009/10 and 2010/11.

3.0 OVERVIEW AND KEY FEATURES

- 3.1 The RE for 2007/08 and OE for 2008/09 for the Transport Business Unit, are included in this report. The detailed budget pages are attached at Appendix A.
- 3.2 The main issues with the budget revolve around concessionary fares, including new government requirements and the unfair distribution of grant, and the highways agency.
- 3.3 The new concessionary fares scheme, to be introduced from April 2008, differs from the current arrangements in that eligible passholders will be able to travel anywhere within England on local buses, free of charge. The other significant change is that the local authority in which the passholder boards will be responsible for reimbursing the cost of the journey to the bus operator. As far as the Council is concerned this means that we will have to fund the cost of both eligible residents and visitors travelling by bus on all journeys starting within the District.
- 3.4 There will also be major changes in the way bus operators are reimbursed for the costs of 'concessionary' journeys. Since free travel on local buses was introduced in 2006 bus operators have been paid what was essentially a fixed sum based on the reimbursements they received when the half fare scheme was in operation. However, this arrangement was fixed for 2 years, after which time we will have to move to a revenue forgone model, based on average fares, on the basis that operators have to be no better or worse off as a result of concessionary fares.
- 3.5 The impact of all these changes is that the estimated cost of payments to bus operators will increase by £1.331m.
- 3.6 The government have allocated £212m to fund the extra costs of concessionary travel and they are planning to distribute this funding by means of a special grant. The government have recently announced that the Council's share of the special grant will be £560k, which is £100k higher than indicated in the best option in the consultation on the grant formula but still well short of the estimated cost.
- 3.7 There has been a great deal of concern surrounding the government's intentions to distribute the grant based on a formula. A number of local authorities will receive more grant than the actual cost of concessionary travel whilst others, including this Council, will receive substantially less. As a result, there has been extensive lobbying that the funding should be distributed on the basis of the cost of concessionary travel and questions have been raised in Parliament. It may be that one of the reasons for the increase in grant is the success of our lobbying.
- 3.8 Obviously, there will still be a substantial difference between the cost of the new scheme and the grant, and an additional contribution of £250k is to be made from on-street parking income. However, even with this extra funding, there remains a large gap that will have to be met from the General Fund.

- 3.9 With regards to the highways agency, early indications are that the funding received from NYCC is likely to reduce further in 2008/09 although the actual budget will not be known for some time. Together with the County's refusal to continue to contribute towards the costs of the inspection of public utility works, this will increase the Highways Agency Fallback to the General Fund.

4.0 EXPLANATIONS OF SIGNIFICANT VARIANCES

4.1 Revised Estimates 2007/08

The Transport Portfolio budget shows an overall increase in net expenditure from the Original to Revised Estimate 2007/08 of £198,140.

The main variances, detailed on page 2 of Appendix A, are explained as follows: -

Controllable Expenditure

Increase in Employee Costs

1. Car park operatives – 3 new Senior Parking Attendant posts have been created. These posts are funded from on-street and off-street parking, with an increased charge to off-street parking of £12k.

Increase in Premises Costs

1. The slippage of £59,000 in on-street funded revenue schemes is as a result of slippage in the funding for new parking provision in Ripon. This funding is currently being used to provide the temporary parking provision in Ripon whilst construction of the West of the Market Place development is underway.
2. The cost of repairs and maintenance fixtures and fittings has increased by £12k as a result of the increased maintenance costs of the Pay on Foot equipment, now that it is out of warranty.
3. The Council has taken on the management of the Station Parade car park in Harrogate and the rental cost in 2007/08 is £34k. The latest income forecast is £60k.
4. NNDR costs have increased by £4k for the Station Parade car park.

Increase in Supplies and Services

1. Business unit reserves have been used to fund the costs of replacement hand held computers for the Parking Attendants of £34k.

2. As a result of the introduction of the new concessionary fares scheme in 2008, all our concessionary fares passes have to be re-issued. This has resulted in an increase in costs of £40k because of the government's requirement for the passes to be 'smart' enabled. This cost is more than offset by government grant of £119k.
3. Consultants are examining the possibility of a small extension to the Jubilee car park. The cost of the study is £10k, which is being met from corporate underspends.

Increase in Transfer Payments

1. There has been an increase in the concessionary fares payments to bus operators of £214k as a result of the additional cost claim from Harrogate and District Travel for the 100/101/102 route.

Appropriation from Reserves

1. Parking Attendants hand held computers – see above.

Appropriation to Reserves

1. There has been an appropriation to reserves from corporate underspends to part fund the future costs in 2008/09 and 2009/10 of the Events Manager post. This temporary post has been created to manage events on the public highway following the Police's decision to withdraw from this service.

Income

1. The latest monitoring statements show that parking income is likely to be £37k more than the original estimate. This includes new income from the Station Parade car park of £60k and reduced income from PCNs.
2. As a result of the slippage of the on-street parking income funded revenue scheme for new parking provision in Ripon detailed above, it was necessary to increase the draw down of on-street parking income by £59k in 2007/08.
3. There has been an increased appropriation from Capital Adjustment Account (CAA) of £205k. This relates to capital expenditure on highways schemes funded from on-street parking and Section 106 commuted sums. See Appendix B.

4. A government grant of £119k has been received to fund the costs, including salaries, of replacing all the concessionary fares passes in readiness for the introduction of the new concessionary fares scheme in 2008.

Additional Expenditure

1. Net salary costs to the General Fund have reduced by £37k as a result of the reallocation of salary costs to capital schemes.
2. The increase in support charges of £12k is as a result of the increased administration charge for concessionary fares.
3. The Highways Agency Fallback to the General Fund has increased by £48k largely as a result of the County Council's refusal to continue to pay a contribution towards the costs of inspecting public utility works.
4. Deferred charge write downs have increased by £205k – see Appropriation from CAA above and Appendix B.
5. The admin buildings charge has increased by £5k to meet the costs of improved fire precautions at the multi-storey car parks required by new legislation.

4.2 Original Estimates 2008/09

Page 3 of Appendix A sets out an analysis of the total variations for the Transport Business Unit from 2007/08 to the Original Estimate for 2008/09, an increase of £494,670. The increase is largely as a result of the increased costs of the new concessionary fares scheme to be introduced in 2008.

The main variances are as follows:

Controllable Expenditure

Increase in Employee Costs

1. Allowance has been made for a 2.5% cost of living increase in Parking Attendants wages.
2. The proportion of the costs of the 3 new Senior Attendants posts charged to off-street parking is £35k.

Increase in Premises Costs

1. The repairs and maintenance fixtures and fittings budget has increased by £9k as a result of the increased maintenance costs of the Pay on Foot equipment, now that it is out of warranty.
2. The full year rental cost for the Station Parade car park is £50k but the car park is expected to generate income of £90k.

3. The transitional NNDR relief on a number of car parks has come to an end and, together with the NNDR costs of the Station Parade car park, the total NNDR costs will increase by £29k.

Increase in Supplies and Services

1. A special one-off budget was provided in 2007/08 for the re-issue of all concessionary fares passes. This budget will not be required in 2008/09 resulting in a reduction in the budget of £24k.

Increase in Transfer Payments

1. As a result of the introduction of the new concessionary fares scheme in 2008 and the change in the reimbursement model payments to bus operators are expected to increase by £1.331m. Part of the increase will be met by new government grant and an increased contribution from on-street parking income but there will still be a substantial cost increase to the Council.
2. Following the introduction of free concessionary fares the take up and use of travel tokens has reduced resulting in a reduction in the budget of £5k.

Appropriation from reserves

1. Part funding for the Events Manager post was appropriated to reserves from corporate underspends in 2007/078 and, together with Business Unit reserves, £19k of this funding will be drawn down in 2008/09 to fund the post.
2. There will be a decrease in the appropriation to reserves of £7k which was used to fund the costs of an employee's early retirement.

Income

1. Off street car park income is projected to increase by £195k as a result of increased usage and the annual review of charges, which includes new income from the Station Parade car park of £90k.
2. The contribution to the costs of concessionary fares from on-street parking income will increase by £250k to help meet the shortfall in government grant.
3. The special grant for the new national concessionary fares scheme has been set at £560k.
4. Appropriation from CAA has increased by £163k. This relates to capital expenditure on highways schemes funded from on-street parking and Section 106 commuted sums. See Appendix B.

5. The running costs of on-street parking have increased, mainly as a result of employing 3 new Senior Parking Attendants. The Council can claim an agency fee of 10.5% of the running costs, which will generate extra income of £8k.

Additional Expenditure

1. The increase in support charges of £21k is as a result of the increased administration charge for concessionary fares.
2. As a result of the reduced funding from NYCC for the Highways Agency and the loss of their contribution towards meeting the costs of public utility inspections the General Fund Fallback is estimated to increase by £83k. However, the works programme from NYCC has yet to be received and, consequently, this is only a guide figure at the present time.
3. Deferred charge write downs have increased by £163k – see Appropriation from CAA above and Appendix B.
4. The admin buildings charge, which relates to the multi-storey car parks, is set to increase by £6k.

4.3 Holding Account – Revised Estimate 07/08

A summary of the Holding Account for the Transport Division is shown on page 4 of Appendix A, which identifies a decrease in cost of £52,270. The major variations, detailed on page 5, in the Revised Estimate for 2007/08 can be explained as follows: -

Controllable Expenditure

Increase in Employee Costs

1. Event Manager post – £8k of funding from Business Unit reserves and corporate underspends is required to fund the part year costs of this post.
2. Concessionary fares posts – 2 new posts have been created to improve the assessment and verification of claims from bus operators, especially since the value of reimbursements and hence the risk is increased. The bulk of the part year costs of £18k are recharged to the other North Yorkshire Districts.
3. A temporary member of staff has been recruited to the Concessionary Fares team to cover for maternity leave at a cost of £12k.

4. The survey officer's hours in the concessionary fares team have been increased to increase the number of surveys carried out on buses to ensure that the risk of incorrect reimbursements to operators is reduced. The additional part year costs are £6k.
5. The Principal Engineer (Traffic Signals) has moved to part-time employment, resulting in a one-off saving in 2007/08 of £24k.
6. Removal of the vacancy provision results in an increase in the budget of £14k.

Additional Expenditure

1. The costs of the Computer SLA have increased by £11k from OE.
2. There has been a reduction in the Support Services charge of £36k, made up mainly from reduced charges from Business Support and Access to Services.

External Income

1. There has been an increased charge to the NY Concessionary Fares partnership of £36k to cover the increased staffing costs detailed above.
2. There is a new recharge to NYCC of £23k to cover the costs of highways staff working outside the agency area.

4.4 Holding Account – Original Estimate 08/09

The major variations between the original estimates for 2007/08 and 2008/09 are shown on page 6 of Appendix A. This involves an increase in cost of £82,510 and can be explained as follows: -

Controllable Expenditure

Increase in employee costs

1. Provision has made for a pay award of 2.5% on salaries, which represents an increase in costs of £36k.
2. The full year costs of the new Event Managers post are £19k, which are funded from a combination of Business Unit reserves and corporate underspends.
3. The full year cost of the new posts in the Concessionary Fares team is £45k.

4. The cost of the concessionary fares survey officer's increased hours is £12k.

Income

1. As a result of the new posts created in the Concessionary Fares team, the recharge to the other NY District Councils will increase by £78k.

Additional Expenditure

1. The cost of the computer SLA will increase by £48k.
2. The admin buildings charge will increase by £16k, which is partly as a result of the new office accommodation in the Victoria car park for the Concessionary Fares team.
3. There will be a reduction in support services charges of £12k largely as a result of reduced charges from Business Support and Access to Services.

5.0 DETAILS OF ANY DISCRETIONARY GROWTH

- 5.1 There are no discretionary growth items.

6.0 DETAILS OF CASH AND EFFICIENCY SAVINGS

Parking

- 6.1 There are cash savings as a result of the introduction of new energy efficient lighting in the Victoria car park (£2,200) and reduced maintenance costs of the bridge link from the Victoria car park to the shopping centre (£1,750).
- 6.2 The Council have recently taken on the management of the Station Parade car park in Harrogate. After paying the costs of the rental of the car park, surplus income of £17k should be produced together with a contribution towards the wages costs of the 3 new Senior Parking Attendants posts of £15k.
- 6.3 On top of this the review of parking charges should produce surplus income, above target, of £20k, which will accrue to the General Fund and help to meet the shortfall in funding concessionary fares.
- 6.4 Whilst there are no income targets for on-street parking income, the contribution towards the cost of concessionary fares has been increased by £250k, which will also help to reduce the adverse financial impact of the new concessionary fares scheme.

Highways

- 6.5 The County Council have top-sliced the highways revenue budget by 1.25%, i.e. £52.4k. Whilst this is not a true Gershon saving what it does mean is that we have to maintain the highway network with less funding. This can be counted as a non-cash efficiency saving.
- 6.6 The leases for the winter gritting fleet have also been 'bought out' which has resulted in a saving of £19.2k. This saving has accrued to NYCC.

Concessionary Fares

- 6.7 Annually, 4,750 new bus passes are issued to people attaining the age of 60. Previously, these passes would have been issued internally but because of the government's requirement for the passes to be 'smart' enabled the passes will be procured from an agency through a framework agreement. The notional price of a pass will reduce from £4 to £1.82, resulting in a cash efficiency saving of £10.4k.
- 6.8 The national concessionary fares scheme has been enhanced locally to provide half fare travel on community transport and rail, and travel tokens. These enhancements cost £100k annually. The costs of concessionary travel are increasing substantially, primarily as a result of new government requirements and the unfair distribution of grant. At some stage consideration will need to be given to the continued funding of these enhancements.

Other services

- 6.9 There are a number of other discretionary services provided by the Transport Division and as pressures increase on the Councils finances consideration will have to be given as to whether these services are provided or continue at a reduced level.

7.0 PROJECTIONS 2009/10 AND 2010/11

- 7.1 There are no significant changes in budget provision up to 2010/11.

8.0 FINANCIAL RISK MANAGEMENT

Transport Business Unit

- 8.1 These services are monitored on a regular basis to ensure that expenditure is kept within budget. The Council is much more dependent on income from sales, fees and charges than most other local authorities. The relatively high levels of income from car parking make it potentially a greater risk to the overall budget process. For this reason car park income is carefully and prudently assessed for budget purposes by department managers and advisors from the Department of Resources. Income is then monitored monthly to ensure that it is on profile.

Concessionary Fares

8.2. The introduction of the national free fare scheme in April 2008 will place the Council at even greater risk of inaccurate claims for payment from transport operators. To militate against this risk it is essential that the Council is able to undertake a series of comprehensive surveys to verify the payments being made to the operators. This has entailed the appointment of extra staff to both undertake these vitally important surveys and check the claims for payment. The bulk of these costs are charged to the North Yorkshire Concessionary Fares Partnership and the Council only picks up about 7% of these costs.

8.3 Highways Agency

8.3.1 The 2007/08 budget saw a large reduction in the budget allocated by NYCC to manage the Highways Agency. This has partly resulted in a predicted increase in the Fallback to the General Fund of £47k over the Original Estimate for 2007/08.

8.3.2 The situation for 2008/09 is unlikely to improve and the Fallback is estimated to be £510k, an increase over the OE for 2007/08 of £80k.

8.3.3 Negotiations on the revision of the Highways Agency Agreement have stalled and the County Council's Executive have recommended the termination of the agency agreement, in principle, a view which has been supported by their Scrutiny Committee. This issue is still ongoing and the Council will be challenging any decision by the County Council to terminate the agreement without a full and comprehensive review.

9.0 USE OF RESERVES

9.1 In line with CIPFA guidance, reserves are reviewed as part of both final accounts and the budget process.

9.2 The use of Business Support business unit reserves in the current and future years were reported to Council in September 2007 and are subject to Business Unit rules regarding the level of authority.

9.3 There are no earmarked reserves for this Business Unit.

10.0 FEES AND CHARGES

10.1 The Transport Business Unit Fees and Charges were the subject of a separate report to the Cabinet Member (Planning & Transport) on 22nd August 2007.

10.2 The overall increase in charges was in line with current transport policies and, at the same time, achieved the 4% increase in income included in the Medium Term Financial Strategy approved by Cabinet in September 2007.

11.0 SCRUTINY

11.1 This report will be considered by the Environment Scrutiny Commission on 21st January 2008.

Background Papers - None

OFFICER CONTACT: Please contact Mr John Burton, Head of Highways & Transport if you require any further information on the contents of this report. The officer can be contacted at Harrogate Borough Council, Knapping Mount, West Grove Road, Harrogate HG1 2AE by telephone on 01423 556606 or by Email – john.burton@harrogate.gov.uk

SUSTAINABILITY ASSESSMENT/POLICY CONSIDERATIONS

		Implications are		
		Positive	Neutral	Negative
A	Economy		✓	
B	Environment		✓	
C	Social Equity		✓	
i)	General		✓	
ii)	Customer Care / People with Disabilities		✓	
iii)	Health Implications		✓	
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable.