

EAST HERTS COUNCIL

JOINT SCRUTINY COMMITTEE - 19 JANUARY 2010

EXECUTIVE – 9 FEBRUARY 2010

REPORT BY EXECUTIVE MEMBER FOR RESOURCES AND INTERNAL SERVICES

SERVICE ESTIMATES – REVENUE BUDGET - PROBABLE 2009/10- ESTIMATE 2010/11

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- The report deals with the revenue estimate process which will conclude at the Council meeting on 3 March 2010 when a formal resolution setting the 2010/11 Council Tax will be approved.

RECOMMENDATION FOR JOINT SCRUTINY COMMITTEE :	
that the Committee considers the service estimates and makes comments to the Executive.	
RECOMMENDATIONS FOR DECISION BY EXECUTIVE : that	
(A)	any comments made by Joint Scrutiny Committee on the 19 January 2010 be considered; and
(B)	the probable Revenue Estimates for 2009/10 and the draft Revenue Estimates for 2010/11 be amended/approved.

1.0 Background

- 1.1 The process and timetable for the preparation and presentation of the Council's Revenue Estimates aimed to ensure appropriate consultation with Officers and Members as well as linkages with the Council's service planning process.

- 1.2 The Strategy to be adopted in preparing the 2010/11 Estimates was set by the Executive at its meeting on 28 July 2009.
- 1.3 The budget process links service demand with the Council's Priorities and the Community Strategy using an integrated service planning and financial management framework. This year's process included further challenge day sessions in order to consider service enhancements and proposals for efficiency savings in line with targets set. The consolidated report sets out proposals for enhancements and efficiency savings.

2.0 Report

2.1 The summarised estimates in respect of all General Fund Services are attached at **Essential Reference Paper B**. The Director of Internal Services and his team have been available to advise Directors on the contents of their budgets.

2.2 Price Levels

- 2.3 The Probable Estimates for 2009/10 are based on actual payments to date plus anticipated expenditure to the end of the financial year.
- 2.4 The Estimates for 2010/11 are the projected outturns including anticipated inflation.

2.5 The Salary estimates for 2010/11 include the following:

- The full effect of the 2009 pay award. A 0% pay award has been assumed for 2010/11. This compares to a 2.5% rate which was applied to the 2009/10 Estimates.
- Any employee related costs arising from organisational change.
- An assumption that vacancies arising from turnover will produce savings equating to 3% of the total pay bill across virtually all cost centres. This compares to a 5% rate which was applied for the 2009/10 Estimates – the change reflects current levels of turnover and the elimination of a number of vacant posts as part of the 2010/11 savings proposals.
- Increments and 5% supplements as appropriate;
- The financial effects of any job evaluations.

2.6 Income Estimates do not yet reflect increases in fees and charges in line with the recommendations included elsewhere on the agenda.

2.7 Recharges of Divisional and Support Costs

2.8 In line with the strategy this year Estimates presented do not show recharges of Divisional and Support costs.

2.9 Comments on the Estimates presented

Budgets excluding capital financing costs

2.10 Overall the Probable Estimates for services (excluding use of reserves), show a circa £464k adverse variance from the Original 2009/10 Estimate.

2.11 The 2010/11 Estimate shows an increase of £301k over the 2009/10 Estimate. However, after allowing appropriations to and from reserves, there is an underlying increase of £619k.

2.12 Efficiency Savings and Growth from the challenge days have yet to be included within these estimates.

Capital Financing Costs

2.13 These costs represent the depreciation charge for the assets. Where external funding has been received towards capital expenditure, this is credited to the service in a likewise approach. Capital financing costs do not flow through to net expenditure used to determine the council tax. Capital financing costs increase from £3,804k in 2009/10 to £4,779 K in 2010/11.

2.14 Service Estimates

2.15 The following comments aim to provide Members with an insight into the significant underlying movements within the service budgets that support the Estimates presented.

2.16 Neighbourhood Services Directorate

2.17 Planning and Building Control Services

2.18 Development Plans Service

2.19 *Probable* –

- The timing of the Local Development Framework consultation is unlikely to be before April 2010. Only minimal costs associated with this will be incurred in 2009/10. Thus there will be a favourable variance from the original estimate of £40k.
- A report to the Local Development Framework Panel on 27 August 2009 identified a reduction in spending requirements of £70k as a result of favourable joint and grant funding arrangements.
- The funding from Reserves of £100k for the public examination of the LDF is deferred to 2010/11.

Estimate –

- The Development Plans studies and consultancy budget shows a reduction of £15k from the 2009/10 Estimate.

2.20 Building Control Service

2.23 *Probable*-

- The impact of the recession on Building Control activity income will result in an adverse variance of £60k from the 2009/10 estimate.

Estimate-

- The effect of the recession is budgeted to continue into 2010/11 reflecting a reduction of £30k from the 2009/10 estimate.

2.24 Development Control Service

2.25 *Probable*-

- A report to Corporate Management Team on the 13 October 2009 set out various additional costs of £108k associated with planning appeals.
- The impact of the recession on Development Control activity will result in an adverse variance of £226k from the 2009/10 estimate.
- A windfall sum of Housing and Planning Delivery Grant of £100k has been incorporated into the 2009/10 Probable Estimate, but has yet to be confirmed.

Estimate-

- The effect of the recession is budgeted to continue into 2010/11 reflecting a reduction of £105k from the 2009/10 estimate.

- In the absence of information only an additional 25K has been included in the 2010/11 Estimate over the 2009/10 base for Housing and Planning Delivery Grant.

2.26 Health and Housing Services

2.27 Private Sector Housing Grants

Probable- A repayment of a previously awarded Council grant from house holders of £22k has resulted in a windfall sum being received.

2.28 Houses in Multiple Occupation

Probable- Additional income of £6k has been received this year.

2.29 Other Housing

Estimate- The 2010/11 Estimate reflects a £37k decrease in the use of the Housing Survey Reserve.

2.30 Piper Lifeline – Private

Probable/Estimate- The 2009/10 Probable shows an under spend of £20k on the maintenance of Piper Systems due to an unexpectedly low number of ex-clients requiring grant funding under the new system introduced over the past eighteen months. This reduction in demand is also reflected in the 2010/11 estimate of £14k.

2.31 Hostels

Probable/Estimate- Thele Hostel closed in the summer of 2009 showing savings of £6k and £12k on the 2009/10 Probable and 2010/11 Estimate compared to the 2009/10 Estimate. The cost of running Hillcrest Hostel has shown a net increase of £25k on the 2009/10 Probable and 2010/11 Estimate over the 2009/10 Estimate due to lower than expected occupancy numbers resulting in lower income streams.

2.32 Licensing and Community Safety Services

2.33 Hackney Carriage Licences

Probable/Estimate- The down turn in the economy has resulted in the income streams from Hackney Carriage Licences being lower than the 2009/10 Estimate by £12k. This downturn is also reflected in the 2010/11 Estimate by £10k.

2.34 Alcohol & Entertainment Licensing

Probable/Estimate- The 2009/10 Probable income from the Alcohol and Entertainment Service is down from the Original Estimate by £26k due to the downturn in the economy. The 2010/11 Estimate is also down from the Original Estimate by £24k for the same reason.

2.35 Emergency Planning

Probable- A supplementary estimate of £10k was approved to meet the additional costs associated with supporting the NHS in delivery of swine flu measures for the general public. These costs have been recouped from the Primary Care Trust, along with associated salary costs which are located in their respective cost centres.

2.36 Safer Stronger Communities/Community Safety Service

Probable/Estimate- A virement between these two cost centres has taken place.

2.37 Customer and Community Services Directorate

2.38 Environmental Services

2.39 Environmental Services Staffing Budgets

2.40 *Probable-*

- There is an £84k under spend in the main due to vacancies and a less than forecast demand on the one-off ARC agency staff budget due to the success of the scheme's implementation.

Estimate-

- The £104k variance from the 2009/10 estimate is principally due to the ARC agency budget provided in 2009/10 not being required in 2010/11.

2.41 Public Conveniences

2.42 *Probable/Estimate-* Due to a delay in implementing the closure plan for Public Conveniences there is an over spend of £15k showing on the 2009/10 Probable Estimate. The 2010/11 reflects savings of £27k as the project is instigated.

2.43 Domestic Refuse Collection

2.44 *Probable-*

- Following a re-negotiation of the Refuse Main contract as part of the contract extension, there is a saving of £108k on the Original Estimate.
- There has been additional transport subsidy received from Herts County Council relating to 2007/08 of £20k.
- The Probable Estimate reflects a fall in demand and subsequent drop in income for bulky collection services of £15k arising from the economic downturn and stagnation in the housing market. This trend is repeated in the 2010/11 Estimate.

Estimate-

- The Estimate shows full year contract savings of £129k as outlined above.
- A sum of £50k has been included representing charging for the delivery of replacement wheeled bins.

2.45 Commercial Refuse Collection/Clinical Waste Collection

2.46 *Probable-*

- Further business growth in the Commercial waste service has led to additional costs of bin deliveries and disposal, but this is more than offset by additional income generated. Thus there is a net favourable position of £19k.
- Clinical waste collection income has increased by £17k as a result of an increase in demand which is believed to arise from concerns around swine flu.

Estimate-

- The Head of Environment Services wishes to show Commercial Refuse Collection and Clinical Waste Collection as separate services in 2010/11.

2.47 Recycling

2.48 *Probable-*

- The Recycling Service shows a net £113k favourable position between Estimate and Probable. This is due to the following:-
- A £65k under spend because of a less than forecast need for ARC publicity and promotion as a result of the success of the schemes implementation.
- A £42k under spend on Recycling Kerbside Green Waste collections due to the re-negotiation of the contract extension and additional ARC savings.
- Additional income of £45k is due to improved material prices.
- A loss of income of £39k is as a result of North Herts withdrawing from the agreement allowing East Herts to bulk and process their materials from July 2009.

Estimate-

- Publicity expenditure is £100k less than the 2009/10 Estimate, which was the launch year for ARC. Collection contracts have been indexed for inflation thus giving a net increase from Estimate of £35k.

2.49 Buntingford Service Centre

Estimate- As a consequence of ARC an approved growth item from the 2009/10 Medium Term Financial Planning process for an increase in costs for material handling of £21k has been incorporated into the 2010/11 Estimate.

2.50 Community and Cultural Services

2.51 C.A.B's

2.52 *Estimate-* There is a reduction in funding of £50k in 2010/11.

2.53 Concessionary Transport

2.54 *Probable/Estimate-* Due to the demand for concessionary bus passes that enables free national travel the additional cost of the scheme is £202k and £225k for the 2009/10 Probable and 2010/11 Estimate respectively.

2.55 Leisure Provision

Probable/Estimate- Development proposals at Grange Paddocks and Hartham were approved at Executive on 5 May 2009. The first-year revenue consequences of carrying out this work (£266) plus £30k arising from contract handover and other small costs have resulted in an additional revenue cost of £317k reflected in 2009/10 Probable. The £266k will be recouped over subsequent years. A reduction in management fee arises as result of the investment which amounts to £3.7m over the 10-year life of the contract.

2.56 Customer and New Media Services

2.57 Car Parks

2.58 *Probable*- The Probable Estimate reflects an adverse variance from the Original 2009/10 Estimate of £153k. This is explained by the following:-

- The contractual arrangements with Jackson Square car park means that any net income above a threshold will be payable to the landlord. This is estimated to be £40k.
- Anticipated fines from Penalty Charge Notices will generate an additional £80k of income.
- Due to the depressed use of car parks Pay and Display income is budgeted to be down by £120k.
- As a result of the land deals associated with the office moves there is a loss of rent from the Causeway car park of £58k.
- Transfer of a rent income to Miscellaneous Properties of £15k

Estimate- There is an adverse variance from Estimate to Estimate of £77k explained by the following:-

- The contractual arrangements with Jackson Square car park means that any net income above a threshold will be payable to the landlord. This is estimated to be £40k.
- Due to deployment of enforcement hours, anticipated fines from Penalty Charge Notices will generate an additional £80k of income.
- As a result of the land deals associated with the office moves there is a loss of rent from the Causeway car park of £85k.
- Pay and Display charges are set to rise on average by 5.9%. Taking this sum, estimated to be £110k, then the variance from Estimate to Estimate shows a

net favourable position of only £45k, because of the depressed use of car parks.

- Increases in reimbursement to Sainsbury's £17k, contractors costs £15k, National Non Domestic Rate revaluations £30k and a transfer of rent income to Miscellaneous Properties £15k addresses the balancing sum.

2.59 Internal Services Directorate

2.60 Business Support Services

2.61 IT Services

2.62 *Probable/Estimate-* A review of IT Licences third party contract payments has resulted in a reduction on the Original Estimate of £68k. This saving is carried into the 2010/11 Estimate.

2.63 Revenues and Benefits Service

Probable/Estimate- As a result in the economic downturn the Housing Benefit service has seen an increase in caseload and a corresponding increase in the sums paid to claimants. The majority of the costs are reimbursed by Government grant, but not all. The increased caseload has also generated a higher level of recovery of over payments thus giving a net overall favourable Probable Estimate of circa £74k. Efficiency savings (if taken) of £50k have yet to be incorporated into the 2010/11 Estimate.

2.64 Financial Support Services

2.65 Miscellaneous Properties

2.66 *Probable/Estimate-* The land transactions associated with the office moves has seen a reduction in lease income of £82k and £118k (full year effect) from the 2009/10 Probable and 2010/11 Estimate respectively. This reduction has in part been off set by new leases and rent reviews.

2.67 Democratic and Legal Support Services

2.68 *Probable-* The Land Charges service shows a net improvement of £44k mainly as a result in an increase in fee income.

2.69 Other Services

2.70 *Probable-*

- *Corporate and Democratic Core*-There is an under spend of £32k on Members Allowances. This tempered by an increase in External Audit costs of £10k due to queries from the public and additional Treasury Management fees of £4k, having given the Fund Managers additional monies to invest.
- *Other Expenses*- To balance the 2009/10 budget £188k of management actions to mitigate pressures were required to equalise the budget.
- Legal fees associated with the office moves has resulted in an over spend on the Corporate Consultancy budget of £32k, which has been supported by a supplementary approval.
- New Local Authority Business Growth Incentives monies were £12k short of what was estimated. This is to be funded from the General Reserve.
- Of a provision for Pathfinder of £10k the actual costs reflect a saving of £9k.

Estimate-

- It is not envisaged that a balancing sum will be required for the 20110/11 Budget. Therefore a figure for the Management actions to mitigate pressures has not been included in the 2010/11 Estimate. This equates to an increase of £188k over the 2009/10 Original Estimate.
- Due to a lack of information at this point in time it has been assumed the Council will receive new LABGI money of £50k. This represents a reduction of £50k on the 2009/10 Original Estimate.

3.0 Implications/Consultations

- ### 3.1
- Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper A**.

Background Papers

None

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ESSENTIAL REFERENCE PAPER 'A'

<p>Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):</p>	<p>Promoting prosperity and well-being; providing access and opportunities <i>Enhance the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</i></p> <p>Fit for purpose, services fit for you <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i></p> <p>Pride in East Herts <i>Improve standards of the neighbourhood and environmental management in our towns and villages.</i></p> <p>Caring about what's built and where <i>Care for and improve our natural and built environment.</i></p> <p>Shaping now, shaping the future <i>Safeguard and enhance our unique mix of rural and urban communities, ensuring sustainable, economic and social opportunities including the continuation of effective development control and other measures.</i></p> <p>Leading the way, working together <i>Deliver responsible community leadership that engages with our partners and the public.</i></p>
Consultation:	Not Applicable
Legal:	None
Financial:	See body of report
Human Resource:	None
Risk Management:	As outlined in the report