

EAST HERTS COUNCIL

JOINT SCRUTINY COMMITTEE – 17 JANUARY 2012

REPORT BY EXECUTIVE MEMBER FOR FINANCE

9. SERVICE ESTIMATES – REVENUE BUDGET PROBABLE 2011/12 – ESTIMATE 2012/13

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

- The report deals with the revenue estimate process which will conclude at the Council meeting on 7 March 2012 when a formal resolution setting the 2012/13 Council Tax will be approved.

RECOMMENDATION FOR JOINT SCRUTINY COMMITTEE: that

The Committee make such comments and recommendations to the Executive as the Committee determine.

RECOMMENDATIONS FOR DECISION BY EXECUTIVE: that

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| (A) | Any comments made by Joint Scrutiny Committee on the 17 January 2012 be considered; and |
| (B) | The Probable Revenue Estimates for 2011/12 and the draft Revenue Estimates for 2012/13 be recommended to Council. |

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 2012/13 Estimates was set by the Executive at its meeting on 6 September 2011.
- 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 B1**. 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 2011/12 are based on actual payments to date plus anticipated expenditure to the end of the financial year.

2.4 The Estimates for 2012/13 are the projected outturns including anticipated inflation.

2.5 The Salary estimates for 2012/13 include the following:

- A nil pay award.
- An assumption that vacancies arising from turnover will produce savings equating to 3% of the total pay bill across virtually all cost centres.
- Increments and 5% supplements as appropriate;
- The financial effects of any job evaluations/redundancies/restructuring.

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, show a circa £374k favourable variance from the Original 2011/12 Estimate.
- 2.11 The 2012/13 Estimate shows a decrease of £1,732k over the 2011/12 Estimate.
- 2.12 Capital Financing Costs:
- 2.13 To facilitate year on year comparisons the estimates presented do not include Capital Charges. These costs represent the depreciation charge for 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 £4,442 in 2011/12 to £4,488 in 2012/13. The summarised estimates in respect of all Capital Financing costs are attached at **Essential Reference Paper B2**.

Service Estimates:

- 2.14 The following comments aim to provide Members with an insight into the significant underlying movements within the service budgets that support the Estimates presented.
- 2.15 As a result of the Senior Management Restructuring Review, changes have occurred to and within cost centres so that they now appear under different Directorships.

Salary Estimates:

- 2.15 Probable/Estimate:
- 2.16 The probable estimate shows an adverse position of £440k. Whereas further initiatives on restructuring and reduced officer hours shows a £226k favourable position for the estimate.

3.0 Chief Executive Division:

3.1 Meals on Wheels:

- 3.2 *Estimate* – The current contract will cease on 31.7.12 and Herts County Council will takeover full responsibility. Thus there is an estimate to estimate saving of £46k.

3.3 Community Planning:

3.4 *Estimate* – There is no request for a budget to spend on the Local Strategic Partnership in 2012/13 as external funding has ceased thus making a saving of £60k.

3.5 Concessionary Fares:

3.6 *Probable* – The costs associated with Concessionary Fares for 2010/11 are lower by £19k than anticipated when the accounts were closed resulting in a favourable position in 2011/12.

3.7 District Election Costs:

3.8 *Estimate* – The cost of the District Elections in 2011/12 was circa £100k. For 2012/13 a provision of £10k is made in the event of a By-Election.

4.0 Neighbourhood Services:

4.1 Legal Fees:

4.2 *Probable* – The Council has received in excess of £100k as a result of illegal asset recovery action regarding airport car parking.

4.3 Building Control Service:

4.4 *Estimate* – Building Control income is expected to be £40k greater in 2012/13 than 2011/12 due to an increase in fees.

4.5 Development Plans Service:

4.6 *Probable* – There will be an underspend on the Local Development Framework of £88k as the next stage in the LDF preparation process will be in 2012/13.

4.7 Development Control Service:

4.8 *Probable* – Income is down by £30k, although the volume of work is being maintained, but only as small scale activity. Additional costs associated with Bishop's Stortford Schools Planning Appeal coupled with further planning issues will add a further £76k to the expected expenditure.

4.9 Emergency Planning:

4.10 *Probable* – Costs associated with dealing with travellers such as Bailiffs and Hertfordshire Constabulary fees are expected to overspend the Emergency Planning budget by £19k.

4.11 Engineering and Transport Functions:

4.12 *Probable/Estimate* – Funding of £50k for the footbridge over the River Stort will be actioned through reserves.

4.13 Private Sector Housing:

4.14 *Probable* – A repayment of £20k has been received as a consequence of repayments of Renovation Grants previously awarded.

4.15 Enabling:

4.16 *Estimate* – Savings of £27k have been identified in this service.

4.17 Hillcrest:

4.18 *Probable/Estimate* – The occupancy rates at Hillcrest Hostel is now consistently higher generating over £40k of additional income.

5.0 Customer and Community Services:

5.1 Refuse Collection – Domestic:

5.2 *Probable*- Savings from the new contract will generate a saving of £92k. A further saving of £135k, as a result of shared services, is still to be built into a number of relevant budget headings including Domestic Refuse Collection.

5.3 Street Cleansing:

5.4 *Probable* – Savings on the contract coupled with contributions from other authorities show a £128k saving.

5.5 Refuse Collection – Commercial:

5.6 *Estimate* – The Government is to implement new waste regulations from 1st April 2012. One result will be that waste from

schools will now attract a disposal charge (including landfill tax) from the County Council. This, together with rising landfill tax and a decline in business as a result of the economic climate, is giving rise to an overall adverse £83k position.

5.7 Recycling:

5.8 *Probable/Estimate* – Despite large variations on individual budget lines the recycling service shows an adverse £23k and £29k position to the probable and estimate from the original estimate.

5.9 Parks and Open Spaces:

5.10 *Probable/Estimate* – There are increases of £23k and £43k respectively in this service arising principally from the difference between the Council's estimate for Retail Price Index and actual RPI.

5.11 Buntingford Depot:

5.12 *Probable/Estimate* – The Recycling Materials Handling Project to introduce sorting/bailing equipment has been delayed due to the new contract and this coupled with the volatility of material prices reflect savings of £44k and £25k respectively.

5.13 Car Park Service:

5.14 *Probable/Estimates* – Variances in income and expenditure budget lines show an adverse position of £29k and £37k respectively on a base budget of £1.615m. Further Car Park savings of £317k have yet to be built in. £230k relates to re-letting of the Car Park Enforcement contract. A further £50k relates to a reduction in the cost of pay and display machine maintenance.

5.15 Leisure Provision:

5.16 *Estimate* – Savings on the contract amount to circa £71k.

5.17 Economic Development:

5.18 *Probable/Estimate* – The call on the Local Authority Business Growth Grant will be reduced by £95k and £88k respectively.

5.19 Hertford Theatre:

5.20 *Estimate* – The implementation of the business plan shows a favourable £73k variance from estimate to estimate.

6.0 Internal Services:

6.1 IT Licences:

6.2 *Probable/Estimate* – A review of IT Licences has resulted in a reduction on the original budget of £107k. Savings from the Licence review will generate £74k in 2012/13. The one off £80k in 2011/12 to support the implementation of a new Financial Ledger system will not be repeated in 2012/13.

6.3 Administrative Buildings:

6.4 *Probable* – Costs associated with the office moves such as the disposal of redundant files, physical storage and moving staff temporarily during the refurbishment works amounts to circa £53k. *Estimate* – The full impact of decanting to Wallfields shows a favourable position of £178k.

6.5 Corporate and Democratic Core:

6.6 *Probable* – A review of the budget for Members allowances has identified an underspend of £45k. External Audit fees are £25k less due to no longer having to pay the standard fee from Grant Thornton is less than budgeted for. Other savings amount to £14k.

Estimate – Similar proportionate savings of £61 are reflected in the 2012/13 estimate.

6.7 New Homes Bonus Grant:

6.8 *Probable* – A sum of £415k has been awarded to East Herts Council from which 50% has been allocated to support Parishes and for this Council's priority spend leaving £207 as favourable variance. These sums will repeat into the 2012/13 Estimate. *Estimate* – An additional £425k is expected of which 50% will support the above projects and the remainder the Council Tax. The overall impact is a £113k favourable position against previous MTFP assumptions.

6.9 Cost of Change Contingency:

6.10 *Estimate* – There is a reduction of £200k in the Cost of Change Provision.

6.11 Shared Services:

6.12 *Probable* – A sum of £26k has been set aside representing one third of the cost of developing the detailed business case for Shared services.

6.13 Capital Salaries:

6.14 *Estimate* – A further £40k of IT salaries is to be capitalised against specific projects.

7.0 Implications/Consultations:

7.1 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'

Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):	<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 built neighbourhood and environmental management in our towns and villages.</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