

EAST HERTS COUNCIL

JOINT MEETING OF SCRUTINY COMMITTEES – 15 JANUARY 2013

EXECUTIVE – 5 FEBRUARY 2013

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

9. SERVICE ESTIMATES – REVENUE BUDGET PROBABLE 2012/13 – ESTIMATE 2013/14

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

- The report sets out proposals for the Council's Service estimates for the 2012/13 (Revised) and 2013/14 Estimates.

RECOMMENDATIONS FOR JOINT MEETING OF SCRUTINY COMMITTEES:

(A)	The proposals for the Council's Service Estimates, as detailed in Essential Reference Paper 'B1' and Essential Reference Paper 'B2' be scrutinised; and
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(B)	The Executive be advised of any recommendations.
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RECOMMENDATIONS FOR THE EXECUTIVE: that

(A)	Any comments made by Joint Scrutiny Committee on the 15 January 2013 be considered; and
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(B)	The Probable Revenue Estimates for 2012/13 and the draft Revenue Estimates for 2013/14 be recommended to Council.
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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 2013/14 Estimates was set by the Executive at its meeting on 4 September 2012.

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. The process allows for separate consideration of service enhancements and proposals for efficiency savings which are not included within the base budgets which are presented within the report. These are set out within the consolidated budget report.

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 Finance and Support Services and her team have been available to advise Directors on the contents of their budgets.

2.2 Price Levels

2.3 The Probable Estimates for 2012/13 are based on actual payments to date plus anticipated expenditure to the end of the financial year.

2.4 The Estimates for 2013/14 are the projected outturns including anticipated inflation.

2.5 The Salary estimates for 2013/14 include the following:

- A 1% pay award, reduced by the changes to Terms and Conditions for staff whereby there is a corresponding 1% reduction in the 5% supplement where applicable.
- 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 4% 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 £524k favourable variance from the Original 2012/13 Estimate.

2.11 The 2013/14 Estimate shows a decrease of £525k over the 2012/13 Estimate.

2.12 Savings, one off savings, growth and special items identified in the Medium Term Financial Plan have yet to be built into the 2013/14 estimate. These will be detailed in the separate Consolidated Budget Report.

2.13 Capital Financing Costs

2.14 To facilitate year on year comparisons the estimates presented do not include Capital Costs at this stage. 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 council tax. Capital financing costs decrease from £4,488 in 2012/13 to £4,479 in 2013/14. The summarised estimates in respect of all Capital Financing costs are attached at **Essential Reference Paper 'B2'**.

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. Members should note that commentaries exclude the impact of variances to salary budgets which are reported corporately.

2.16 As a result of the Senior Management Restructuring Review, changes have occurred to cost centres for this year.

Salary Estimates

2.17 *Probable*- The probable estimate shows a favourable position of £75k from the original estimate.

Estimate- Initiatives on restructuring and reduced officer hours reflects a £20k favourable position from estimate to estimate.

3.0 Chief Executive Division

3.1 Chief Executive and Corporate Support Team

3.2 *Probable/Estimate* – There has been a restructuring at senior management level which results in changes across both probable and estimate.

4.0 Neighbourhood Services

4.1 Development Control Section

4.2 *Probable/Estimate* – Supplies and Services budgets within the Development Control Section are estimated to under spend by £20k. This is principally, in the areas of advertising and postage. Advertising is in line with last year's expenditure and other forms of communication are being used resulting in reduced postage costs.

4.3 Development Plans Service

4.4 *Probable* – Re-profiling of the timing of work on the production of the District Plan, with consultation to be undertaken in 2013/14, has resulted in a £10k under spend in the current years Local Development Framework upkeep budget.
Estimate – No variances to report.

4.5 Building Control Service

4.6 *Probable* – Building Control income is expected to be £150k less. Processes to introduce a new structure and service delivery model are being progressed.
Estimate - No variances to report.

4.7 Development Control Service

4.8 *Probable* – There will be a net adverse variance in income of £45k. £80k adverse is a consequence of only small scale activity in the Development Control charges area, but there is considerable interest in receiving pre-planning advice which is generating an additional £35k of income.
Estimate – No variances to report.

4.9 Emergency Planning

- 4.10 *Probable*- The £5k budget for Emergency Planning equipment will not be required in 2012/13.
Estimate- No variances to report.

4.11 Community Safety

- 4.12 *Probable* – Only £28k was received from Herts County Council for Safer Stronger Communities against a budgeted figure of £55k. A proportion of this was to fund Police Community Support Officers. This scenario will result in an adverse 2012/13 estimate to 2012/13 probable position of £22k.
Estimate - To date no funding from Herts County Council has been proffered to fund Safer Stronger Communities. As a consequence a one off growth item of £27,500 is being requested to support funding for Police Community Support Officers.

4.13 Engineering and Transport Functions

- 4.14 *Probable/Estimate* – The Environment Agency has withdrawn the funding for the land drainage work East Herts has carried out on their behalf. A contribution of around £35k towards the Council's staffing costs will be lost in both 2012/13 and 2013/14. The Service will redesign its work so this does not negatively impact on the Council.

4.15 Improvement Grants

- 4.16 *Probable*- Predicted windfall sums totalling £7k are expected as recipients of Improvement Grants repay them according to the terms and conditions on which they were awarded.
Estimate – No variances to report.

4.17 Environmental Pollution

- 4.18 *Probable/Estimate*- Funding from Defra (held in an earmarked reserve) of £27k and £35k for the probable and estimate respectively will be used to support the service.

4.19 Housing Options Section

- 4.20 *Probable* – The Housing Options Section's Transport Related Expenses and Supplies and Services budgets are expecting to under spend by £16k.

Estimate- No variances to report.

4.21 Housing Options Service

4.22 *Probable* –Service budgets are expected to underspend in total by £33k. £5k will be spent on preventing re-possession which will be funded from an earmarked reserve.

Estimates- £10k of funds will be required to support the prevention of re-possession in 2013/14. To be drawn from the earmarked reserve. In addition the £50k Preventing Homelessness Grant will now be rolled into the Business Rate Retention Scheme. This is a change to the funding mechanism and not the grant.

5.0 Customer and Community Services

5.1 Playgrounds

5.2 *Probable* – No variances to report.

Estimate – There is an increase in the number of playground inspections resulting in an increase in costs of £13k

5.3 Public Conveniences

5.4 *Probable* – A large credit of £19k has been received from Veolia Water following a leak at Bircherley Green car park.

Estimate – No variances to report.

5.5 Refuse Collection - Domestic

5.6 *Probable* – The transition costs of the contract are £200k lower than estimated.

Estimate – The estimate reflects contract indexation.

5.7 Refuse Collection - Commercial

5.8 *Probable* – There are lower disposal costs of £29k and additional income of £21k offset by £10k of additional contract costs.

Estimate – No variances to report.

5.9 Street Cleansing and Litter Control

5.10 *Probable* – There is £4k additional street cleansing income and £50k under spend on the street cleansing contract due to lower than expected ad-hoc cleansing work. This could vary according

to weather conditions, particularly if there is the need for ad-hoc work in the winter months.

Estimate – The contract sum is estimated to be £37k less in 2013/14.

5.11 Recycling

5.12 *Probable* – Income from the Alternative Financial Model is £22k less than estimated and transport subsidy is £33k less. There is an under spend of £7k on the materials handling budget at the Service Centre.

Estimate – The Alternative Financial Model is down by £128k. Transport subsidy is down by £33k. There is £57k less income and £60k additional expenditure from recyclables.

5.13 Parks and Open Spaces

5.14 *Probable* – Following a review of Section 106 receipts held by the Council CMT recommended on the 25 September 2012 a sum of £62,634.64 be added to the General Reserve as the Council's obligations are deemed to have been met.

Estimate – The net £20k increase in the budget reflects indexation of the Grounds Maintenance contract offset by £16k additional income.

5.15 Service Centre

5.16 *Probable* – The sum estimated to be owed for electricity in 2011/12 was too high by £13k. A saving of £7k on materials handling is expected.

Estimate- No variances to report.

5.17 Leisure Provision

5.18 *Probable* – The Contractor has reduced its expenditure therefore the sums recovered from the Joint Use Pools has reduced by £24k. Utility costs recharged to EHDC have reduced by £7k. Insurance has increased by £4k.

Estimate – There is an increase in the Leisure contract as per the business plan of £29k. The income as outlined above is down by £23k.

5.19 Car Park Service

5.20 *Probable* – There is additional Pay and Display income, due to increased throughput, of £91k. The Parking Enforcement contract will be under spent by £86k. This is largely due to two projects (mobile camera enforcement and vehicle removals) which are now going live next financial year, so operational costs will not be incurred this financial year. There is also a contract under spend relating to vacancies in management which the Council benefits from. Penalty Charge Notice income shows an adverse variance of £149k due to lower operational performance of the contractor resulting from contractor equipment failure and contractor management issues, now resolved. Additional income of £10k from other Authorities is anticipated.
Estimate- No variances to report.

5.21 Engagement and Partnership Section

5.22 *Probable*- No variances to report.
Estimate – The Residents bi-annual survey is scheduled for 2013/14 costing circa £18k.

5.23 Community Planning

5.24 *Probable* – Income of £53,800 was received in 2011/12 for Community Planning Resource Mapping, but the final payment of £11k was not made until 2012/13. £25k of Performance Reward grant, drawn from the earmarked reserve, will be utilised for Local Strategic Partnership initiatives.
Estimate – Performance Reward grant of £40k will be drawn from the reserve in 2013/14.

5.25 Community Projects

5.26 *Probable*- No variances to report.
Estimate- The 2012/13 budget includes an item (Artsbus) carried forward from 2011/12 of £10k together with special items totalling £9k which are not repeated in 2013/14.

5.27 Revenue Contributions and Grants to Voluntary Bodies

5.28 *Probable* – No variances to report..
Estimate – The 2012/13 Community Revenue grant budget contains a £15k virement, £10k from Priority Spend and £5k from

Christmas parties. The Grants to support Christmas parties is restored to £5k from £3k.

5.29 Hertford Theatre

5.30 *Probable* – There has been additional hire income of £30k. Café Supplies are £8k more than estimated and there has been a small reduction of running costs of £4k.

Estimate – Additional income of £58k identified from the business plan has yet to be included in the 2013/14 estimate.

6.0 Internal Services

6.1 IT Services

6.2 *Probable*- No variances to report.

Estimate - On the 22 May 2012 the Executive agreed a carry forward under spend from 2011/12 into 2012/13 of £50k from the IT licences budget to be applied to improvements to ICT resilience and business continuity and roll out of the new telephone system. This sum is not repeated in the 2013/14 estimate. Although, the actual cost of IT licences is showing an increase of £24k in 2013/14.

6.3 Wallfields - Administrative building

6.4 *Probable/Estimate* – The Executive on 22 May 2012 agreed a carry forward under spend of £44k from 2011/12 into 2012/13 on property budgets to be applied to a programme of refurbishment of toilets at Wallfields. This sum is not repeated in 2013/14. A successful challenge to the Rateable Value of Wallfields has resulted in a net back dated reduction of £26k in the sum paid as National Non Domestic Rates in 2012/13. In 2013/14 there is an £8k reduction in the sum paid.

6.5 Internal Audit Service

6.6 *Probable/Estimate* - The Shared Internal Audit Service Board agreed on the 7 December 2011 to increase the daily charge rate for Audit services from £240 per day to £255 per day, an increase of 6.25%, resulting in an increase of £7k.

6.7 Electoral Registration

6.8 *Probable* – No variances to report.

Estimate - The Electoral Registration budget is likely to be £12k overspent reflecting, amongst other things, increased postal charges and costs associated with postal voting administration.

6.9 Revenues and Benefits Service

6.10 The effect of the Localisation of Council Tax Support and Business Rates Retention Scheme announced in the 2010 Spending Review will materialise through the Local Government Finance Act 2012 and become effective in 2013/14.

6.11 *Probable* – The Revenues and Housing Benefits Section shows a net adverse £21k as a consequence of finalising the 2011/12 outturn position regarding the Shared Service with Stevenage Borough Council. Summons costs recovered due to non payment of Council Tax and National Non Domestic Rates is expected to be £14k less than the original estimate.

The net overall position on the Housing Benefits Service is a favourable £106k. This is based on subsidy being greater than that estimated and in line with the 2011/12 actual.

Estimate – It is assumed that £130k of Discretionary Rate Relief borne by EHDC traditionally within these estimates will now be incorporated elsewhere in the estimates as part of the Business Rate Retention Scheme.

£54k of Council Tax New Burdens grant is budgeted for in 2013/14.

The Government will reduce the Administrative Subsidy grant in 2013/14 by £41k.

6.12 Corporate and Democratic Core

6.13 *Probable/Estimate* – There is a reduction in core external Audit fees of £72k due to the demise of the Audit Commission. As a consequence of withdrawing investment income from the Council's fund managers and re-investing in fixed term deposits, fees for managing these funds will reduce by £30k. Expenditure relating to the Democratic Core projects an under spend of £22k. This is primarily due to savings on Members Expenses (£17K) and Allowances (£5k).

6.14 Other Expenses

6.15 *Probable* – Sums relating to additional Employers National Insurance Contributions (£25k), Priority Spend (£35k), and Cost of Change Contingency (£30k) are now incorporated elsewhere

within the overall estimates. Income from the New Homes Bonus Grant is anticipated to be £35k greater than that estimated in part due to timings in payments made to East Herts Council.

Estimate – It is estimated that the 2013/14 additional New Homes Bonus Grant will be £553k, in line with the latest Medium Term Financial Plan assumptions, of which an additional £138k would be made available to Parish/Town Councils.

The sum relating to Employers National Insurance contributions (£25k) is now incorporated elsewhere within the overall estimates. The Cost of Change Contingency (£118k) was a Special Item for two years 2011/12 and 2012/13. However there is still £400k in a Reserve.

6.16 Capital Salaries

6.17 *Probable*- No variations to report.

Estimate – There is a reduction of £38k in the value of IT salaries to be capitalised.

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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