

EAST HERTS COUNCIL

JOINT MEETING OF SCRUTINY COMMITTEES – 14 JANUARY 2014

EXECUTIVE – 4 FEBRUARY 2014

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

8. SERVICE ESTIMATES – REVENUE BUDGET REVISED 2013/14 AND ESTIMATES 2014/15

WARD(S) AFFECTED: ALL

Purpose/Summary of Report:

- The report sets out proposals for the Council's Service estimates for 2013/14 (Revised) and the 2014/15 Estimates.

<u>RECOMMENDATIONS FOR JOINT MEETING OF SCRUTINY COMMITTEES:</u>	
(A)	The proposals for the Council's Service Estimates be scrutinised; and
(B)	The Executive be advised of any recommendations.
<u>RECOMMENDATIONS FOR THE EXECUTIVE: that</u>	
(A)	Any comments made by Joint Scrutiny Committee on the 14 January 2014 be considered; and
(B)	The Probable Revenue Estimates for 2013/14 and the draft Revenue Estimates for 2014/15 be recommended to Council.

1.0 Background

1.1 The process and timetable for the preparation and presentation of the Council's Revenue Estimates aims to ensure:

- appropriate consultation with Officers and Members, and
- linkages with the Council's service planning and corporate strategies process.

- 1.2 The Strategy to be adopted in preparing the 2014/15 Estimates was set out by the Executive at its meeting on 3 September 2013.
- 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 presented within this 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 B**. The Director of Finance and Support Services and the Accountancy team have been available to advise and support Directors/Heads of Service on the contents of their budgets.

Price Levels

- 2.3 The Revised Estimates for 2013/14 are based on actual payments to date plus anticipated expenditure to the end of the financial year.
- 2.4 The Estimates for 2014/15 are the projected outturns including anticipated inflation.
- 2.5 The Salary estimates for 2014/15 include the following:
- An assumption for a national pay award of 1%.
 - An assumption that vacancies arising from turnover will produce savings equating to 2% of the total pay bill across virtually all cost centres. The turnover factor for 2013/14 was 3%.
 - Increments and local award as appropriate;
 - The financial impact of any job evaluations, redundancies and restructures.
 - Pensions contributions at a rate of 16.6%.
 - The assumption for Pensions Auto Enrolment, that staff currently not in the council's pension scheme will join under the arrangements coming into force on 1st April 2014.
- 2.6 Income Estimates contained in this report do not yet reflect proposed increases in fees and charges, as detailed elsewhere on the Agenda.

Recharges of Divisional and Support Costs

- 2.7 In line with the strategy and to assist inter year comparisons the estimates presented in this report do not show recharges of Divisional and Support costs.

Capital Financing Charges

- 2.8 To facilitate year on year comparisons the estimates presented do not include Capital Costs at this stage. These charges, based on the Capital Programme included later on the agenda, are summarised separately at **Essential Reference Paper C.**

3 Comments on the Estimates presented

3.1 2013/14 Revised Budgets (excluding Capital Financing Costs)

Overall the 2013/14 Revised Estimate for services show a £832,760 favourable variance compared to the Original 2013/14 Estimate as summarised below:

Service	2012/13 Actual	2013/14 Estimate	2013/14 Revised Estimate	Variance – Estimate to Revised. (-) Favourable
	£	£	£	£
Customer and Community	5,292,064	6,635,630	6,341,510	294,120 (-)
Neighbourhood Services	3,270,065	3,497,800	2,945,880	551,920 (-)
Finance and Support Services	4,395,490	4,419,650	4,432,930	13,280
Total Net Cost of Services	12,957,619	14,553,080	13,720,320	832,760(-)

Note: the Estimate for 2013/14 of £14.553 million includes Council Tax Support (£255k) which was previously accounted for below the 'Net Cost of Services' line to facilitate comparison and the gross revenue cost of implementing SPARC of £686k, partially financed for savings within the Domestic Refuse Collection contract £200K.

3.2 This favourable service position is in line with the Healthcheck financial position for the reporting period to 30 November 2013 of circa £740k (excluding the adverse variance on Investment interest of £150K, this is because the variance will be funded from the Interest Equalisation Reserve, and the balance on the Planning Contingency of £467k) reported later on the agenda.

3.3 The key service variations for 2013/14 are summarised as follows:

3.3.1 An adverse summarised salaries variance of £121k has been identified in preparing the Revised Estimates.

3.3.2 *Customer and Community Services:*

- Welfare Reform – the cost of implementing the new arrangements was lower than anticipated - £97k favourable.
- Refuse Collection Domestic – Reduction in contract cost used to finance the implementation of SPARC - £200k favourable.
- Recycling – the decline in the market price for comingled recycling has reduced recycling receipts - £110k unfavourable. This is offset by locally agreed landfill diversion receipts of £80k (favourable).
- Off Street Parking – reduction in income in line with economic trends- £183k unfavourable.
- Off street Parking – reduced contract price - £99k favourable.
- Parking – Supermarket Reimbursement realigned - £46k favourable.

3.3.3 *Neighbourhood Services:*

- Planning and Building Control –Development Plans Service - Local Development Plan Upkeep reduced costs - £30k favourable.
- Planning and Building Control –Development Control Service – increase in planning income due to significant developments and underlying increased income trend continuing. - favourable income variance of £476k. This is countered by the expectation of increased Planning Appeals. - adverse variance of £160K.
- Community Safety Service increased Income - £38K favourable.
- Housing Options – Additional grant from central government to 2015 - £50K favourable.

3.3.4 *Finance and Support Services:*

- Land Charges income higher than expected due to economic improvement in district - £20K favourable.
- Revenues and Benefits Service – income from Summons Costs Recovery lower than anticipated - £25k unfavourable.

4.0 2014/15 Estimated Budgets excluding Capital Financing Costs

4.1 The 2014/15 Estimate shows a decrease of £639,700 approximately over the 'adjusted' 2013/14 Estimate as summarised below:

Service	2012/13 Actual	2013/14 Estimate	Adjustment for Material One off Items in 2013/14 Estimate	Adjusted 2013/14 Estimate	2014/15 Estimate	Variance – Estimate to Estimate .(-) Favourable
	£	£	£	£	£	£
Customer and Community	5,292,064	6,635,630	830,230 (-)	5,805,400	5,774,780	30,620
Neighbourhood Services	3,270,065	3,497,800	0	3,497,800	3,289,590	208,210
Finance and Support Services	4,395,490	4,419,650	0	4,419,650	3,954,780	464,870
Total Net Cost of Services	12,957,619	14,553,080	830,230	13,722,820	13,019,150	703,670

Note: the Estimate for 2013/14 of £14.553 million includes Council Tax Support which was previously accounted for below the 'Net Cost of Services' line to facilitate comparison.

4.2 The 2013/14 Estimate contained the following One Off budgets in the customer and Community service area:

- Purchase of remaining lease arrangements for Refuse Vehicles - £660,230.
- Welfare Reform - £170,000.

To improve clarity of financial comparison the 2013/14 Estimate has been adjusted by the above sums. A proposed special item for Welfare Reform in 2014/15 of £170k was included in the MTFP approved by Council in February 2013. The budget continues to be included in the updated MTFP reported elsewhere on the agenda.

4.3 One off savings, growth and special items identified in the Medium Term Financial Plan have yet to be built into the 2014/15 estimate reported at paragraph 4.1. Ongoing Base Budget service reductions of

approximately £350K identified as part of the budget challenge process are included.

Service Estimates

4.4 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.

4.4.1 *Corporate Salary Costs*

The overall increase in the corporate salaries budget based on the assumptions detailed at paragraph 2.5 have been partially offset by restructures, resulting in a net adverse variance on corporate salaries of £191k approximately.

4.4.2 *Customer and Community Services*

- *Refuse Collection – Domestic* - The budget includes the ongoing full year impact of the reduced cost of the refuse collection contract resulting in a favourable budget variance of £184k.
- *Recycling* – The local agreement for diversion of waste from landfill is estimated to provide additional income of £81k, however the estimate is vulnerable to the performance of all 9 District Council within the scheme. The full year impact of recycling receipts is included in the estimates giving an unfavourable variance of £166k approximately and reflects the reduced market price for comingled materials. Recycling costs under the contract arrangements are estimated to result in a favourable variance of £127k. In view of the extensive advertising for the scheme in 2013/14 the budget is expected to reduce back to the base budget level, resulting in a favourable variance of £18K in 2014/15.
- *Leisure Provision* - The impact of inflation and tender implications for the leisure contract is estimated to be £133k for the year.
- *Parking Income* - The impact of the economic downturn is expected to reduce parking income by £264k (adverse variance).
- *Hertford Theatre* - Increased income is forecast of £46K (favourable variance).

4.4.3 Neighbourhood Services

- Local Development Plan - Reduced requirement from reserves £50k favourable variance.
- Community Safety and Health - £50k budget included for Housing Condition Survey.
- Community Safety - Reduction in costs of running CCTV service resulting in a favourable variance of £24K. Increase income forecast of £15k (favourable).
- Housing Options - Additional Income from DCLG to 2015 - £50K favourable

4.4.4 Finance and Support Services

- New Homes Bonus –In line with the Government’s Provisional allocation 588 additional properties have been added to the Council Tax base which qualifies for New Homes Bonus grant. In addition the council has received £36k for additional affordable housing units within the district. The financial impact of the additional income and the impact on the Parish Grants and Priority Spend budgets is detailed below. It should be noted that the estimate is provisional pending publication of the Local Government Funding Settlement, due in February 2014.

	2013/14 Estimate	2014/15 Estimate	Variance (-) Favourable Variance, '+' adverse Variance)	Comments
	£'000	£'000	£'000	
New Homes Bonus Income	(1,416)	(2,190)	774(-)	Forecast is based on 588 properties added to Tax Base and 104 Affordable Units, for the period October 2012 to October 2013.

Parish Grant	349	548	199 +	Additional income allocated 25% to Parish Grant.
Priority Spend	210	548	338 +	2013/14 budget allocation 25% limited to £210,000. 2014/15 budget based on 25% of New Homes Bonus.
Net Total	(857)	(1,094)	(237)	

- Council Tax Support Scheme (Grant to Parishes) - Budget reduced in line with recommendation from the Executive £127k favourable. The MTFP agreed by Council in February 2013 included a nil award of grant.
- Rent Allowances - £154k adverse variance due to increases cost of scheme in relation to rent increases (£125k adverse) and reduction in administration subsidy (£29k adverse). Additional income is forecast for Rent Allowance debtors - £85K favourable.
- ICT/Printing and Graphic Design Shared Service – the business plan for the shared service identified savings for the first full year of operation of £208k. These savings have now been factored into the 2014/15 Estimate.

5.0 Implications/Consultations

5.1 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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