

EAST HERTS COUNCIL

JOINT SCRUTINY COMMITTEE – 18 JANUARY 2011

EXECUTIVE – 8 FEBRUARY 2011

REPORT BY EXECUTIVE MEMBER FOR RESOURCES AND INTERNAL SERVICES

SERVICE ESTIMATES – REVENUE BUDGET PROBABLE 2010/11 – ESTIMATES 2011/12

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- The report deals with the revenue estimate process which will conclude at the Council meeting on 2 March 2011 when a formal resolution setting the 2011/12 Council Tax will be approved.

RECOMMENDATION FOR DECISION BY JOINT SCRUTINY COMMITTEE: that

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

RECOMMENDATIONS FOR DECISION BY EXECUTIVE : That:

(A)	any comments made by Joint Scrutiny Committee on the 18 January 2011 be considered; and
(B)	the probable Revenue Estimates for 2010/11 and the draft Revenue Estimates for 2011/12 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 2011/12 Estimates was set by the Executive at its meeting on 7 September 2010. This included the emergency budget decision that identified savings of over £1.1m.
- 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 2010/11 are based on actual payments to date plus anticipated expenditure to the end of the financial year.
- 2.4 The Estimates for 2011/12 are the projected outturns including anticipated inflation.
- 2.5 The Salary estimates for 2011/12 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.

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 £1,156k favourable variance from the Original 2010/11 Estimate (excluding capital financing costs). The use of earmarked reserves for the Local Development Framework £100k and the House Condition Survey £10k will not be required. However, £10k will be required from the Legal Reserve.

2.11 The 2011/12 Estimate shows a decrease of £2,746k over the 2010/11 Estimate. The use of earmarked reserves of £182k is included in the 2011/12 Estimate.

2.12 Efficiency Savings from the Emergency Budget in September have been incorporated into these estimates. Members are currently being consulted regarding further efficiency savings.

Capital Financing Costs

2.13 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 decrease from £4,779k in 2010/11 to £4,442K in 2011/12. 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.

- 3.0 Chief Executive Division
- 3.1 Chief Executive and Corporate Support Team
- 3.2 *Probable/Estimate-* Staffing efficiencies of circa £50k have been achieved.
- 3.3 Strategic Direction
- 3.4 *Probable-*A saving of £14k is forecast as a result of the Government's decision not to undertake the Place Survey.
- 4.0 Neighbourhood Services
- 4.1 Planning and Building Control Services
- 4.2 Development Plans Section
- 4.3 *Probable/Estimate-* The Council has seen a loss of Government funding as a result of its spending review from the Planning and Housing Delivery grant of £20k in this service.
Estimate- Staffing efficiency savings of £12k have been achieved.
- 4.4 Building Control Section
- 4.5 *Probable-* There has been no turnover of staff within this section resulting in an increase of £27k in the Probable estimate.
- 4.6 Development Control Section
- 4.7 *Probable* – The Council has seen a loss of Government funding as a result of its spending review from the Planning and Housing Delivery grant of £61k in this service.
- 4.8 Development Plans Service
- 4.9 *Probable/Estimate-* The first examination of the Local Plan is in two years time, but there is still preparation and on going work required before this is produced. The call on the Reserve is reduced by £100k in 2010/11 and £40k in 2011/12. The programme for the Local Development Framework and consultancy involves fluctuating work patterns. These are being managed to produce a more efficient budget profile. Thus, reflecting a saving of £70k in 2010/11 and £50k in 2011/12.

- 4.10 Development Control Service
- 4.11 *Probable/Estimate*- The Council has seen a loss of Government funding as a result of its spending review from the Planning and Housing Delivery grant of £85k in this service.
- 4.12 Health and Housing Service
- 4.13 *Probable/Estimate*- Staffing efficiencies have resulted in a reduction in the 2010/11 Probable and 2011/12 Estimate of over £50k and £35k respectively from the Original 2010/11 Estimate.
- 4.14 Private Sector Housing Grants
- 4.15 *Probable*- A repayment of a previously awarded Council grant from house holders of £24k has resulted in a windfall sum being received.
- 4.16 Other Housing
- 4.17 *Probable/Estimate*- The use of the Housing Survey Reserve of £13k will not be required.
- 4.18 Housing Options
- 4.19 *Estimate*- There is additional grant funding of £20k for the private tenant rent deposit scheme.
- 4.20 Thele Hostel
- 4.21 *Probable*- Executive on the 7 September approved a supplementary estimate of £15k to cover maintenance costs until the property is sold.
- 4.22 Hillcrest Hostel
- 4.23 *Probable*- Greater occupancy levels and the collection of Hostel tenants rents are a circa net £22k higher than estimated for.
- 4.24 Licensing and Community Safety Services
- 4.25 Emergency Planning

Probable- This cost centre shows a reduction in spending requirements of £7k.

5.0 Customer and Community Services

5.1 Public Conveniences

5.2 *Probable*- The budget in 2010/11 was understated by a double counting of planned savings of £29k. In addition public conveniences have remained open in three towns, there being no suitable private sector provider, at a cost of £34k.

5.3 Refuse, Recycling and Street Cleansing contract

5.4 *Estimate*- With effect from the 1 May 2011 the Council has awarded a new contract to cover the above services. The impact of this has resulted in a circa £1.031m overall saving estimate to estimate. These savings are reflected in a number of cost centres including markets and car parks.

5.5 Domestic Refuse Collection

5.6 *Probable*- A saving on the Refuse contract of £105k is forecast because of less than expected ad hoc work. This is coupled with the Council's decision to defer replacement bin charging resulting in a £50k adverse variance.

5.7 Commercial Refuse Collection/Clinical Waste Collection

5.8 *Probable*- The Commercial and Clinical Waste Collection services show a net favourable position of £19k and £12k respectively as a result of additional income being generated which in part is off set by corresponding additional expenditure.

5.9 Recycling

5.10 *Probable*-

- The Recycling Service shows a net £980k favourable position between Estimate and Probable. This is due to the following:-
- A £21k under spend on Alternate Refuse Collection advertising due to the success of ARC and there is less need to undertake publicity to address public concerns.
- A £94k under spend on Recycling Kerbside Green Waste collections as the scheme will not be expanded to include flats until the new contract is let in May 2011.

- A £20k under spend associated with Plastic Recycling Banks.
- A net favourable position of £208k will be achieved on Kerbside Dry Recyclables.
- The latest estimate of the sum to be received from Herts County Council under the Alternate Financial Model is £620k more than the original estimate.
- Other minor net savings contribute £17k to the under spend

5.11 Parks and Open Spaces

Probable- The Grounds Maintenance budget is estimated to over spend by £36k due to higher levels of inflation (RPI) than estimated. This is off set by £20k of additional income such as advertising on roundabouts and within the service level agreement with the Countryside Management Scheme there is a saving of £8k.

5.12 Buntingford Service Centre

5.13 *Probable-* The Service Centre Material Handling budget included a provision for material sorting equipment. The provision of equipment was suspended following a Member review pending the letting of the new contract. This has resulted a saving of £36k. There is also a saving on the electricity budget of £7k.

5.14 Community and Cultural Services

5.15 Community Projects Team

5.16 *Probable/Estimate-* Staffing efficiencies of circa £31k have been achieved.

5.17 Community Planning

5.18 *Estimate-* The 2010/11 estimate included a one off special item of £60k under the Local Strategic Partnership banner. This sum was funded externally by Herts County Council.

5.19 Concessionary Transport

5.20 *Probable-* There is an estimated saving of £48k on travel permits. *Estimate-* From 2011/12 this service will be operated by Herts County Council. Although there is an apparent saving it is anticipated that there will be a corresponding reduction in the Council's Revenue Support Grant.

5.21 Economic Development Section

5.22 *Probable*- A £20k virement from the Economic Development Service was enacted to support staffing costs.

5.23 Community Projects

5.24 *Estimate*- As a result of the emergency budget the budget has been reduced by £8k.

5.25 Economic Development Service

5.26 *Probable/Estimate*- The Government's spending review has resulted in a loss of £50k Local Authority Business Growth Incentives grant. The Probable has had £20k vired to support salary costs in the Economic Development Section, coupled with a reduction in spending of £20k.

5.27 Leisure Provision

5.28 *Probable* -.

Estimate-The Council's capital leisure investment will result in a reduced management fee and overall reduction in costs of £277k.

5.29 Hertford Theatre

5.30 *Estimate*- The capital investment and initiatives undertaken will see an increase in income giving an overall net saving of £72k.

5.31 Customer and New Media Services

5.32 Car Parks

5.33 *Probable*- The Probable Estimate reflects an adverse variance from the Original 2010/11 Estimate of £433k. This is explained by the following:-

- The Council has a 24 month rent free period on the lease of the Causeway Car Park. The Council is required to account for this across the 35 year lease resulting in a lease cost of £222k a year. This charge will reverse on termination of the lease.
- Car Park use is below forecast resulting in 5.5% less Pay and Display income to year end of £150k.

- There is a loss of income in Pay and Display of £19k due to the increase in VAT to 20% from 4 January 2011.
- The net impact of not implementing Sunday and Bank Holiday car park Pay and Display charging is circa £35k. This decision also applies to Penalty Charge Notices with an adverse consequence of £10k.
- Due to the timing of the Gascoyne Way refurbishment works, car washing income of £5k has not materialised.
- A rent review on Baldock Street car park will increase the charge by £9k.
- The decision not to provide free car parking at Christmas will generate £17k of additional income.

Estimate- There is an adverse variance from Estimate to Estimate of £467k explained by the following:-

- There is an increase in reimbursement to Sainsbury's of £36k as more customers claim the reimbursement.
- The Council has a 24 month rent free period on the lease of the Causeway Car Park. The Council is required to account for this across the 35 year lease resulting in a lease cost of £222k a year. This charge will reverse on termination of the lease.
- Car Park use is below forecast resulting in 5.5% less Pay and Display income to year end of £150k.
- The net impact of not implementing Sunday and Bank Holiday car park Pay and Display charging is circa £35k. This decision also applies to Penalty Charge Notices with an adverse consequence of £10k.
- Increases in the National Non Domestic Rate of £27k.
- Contractor payments for parking enforcement have increased by £59k as a result an increase in the RPIX.
- The decision not to provide free car parking at Christmas will generate £17k of additional income.
- The purchase of Apton Road and Baldock Street car parks from Herts County Council will result in a rental stream saving of £55k.

6.00 Internal Services

6.01 Programme Director

6.02 *Estimate-*This sum represents the remaining months of a three year contract, which has been funded from reserves.

6.03 People and Organisational Services

6.04 *Probable*- Includes an agreed £10k carry forward request from 2009/10.

Estimate- A reduction of £9k in the Corporate Training budget is as a result of staffing efficiencies being achieved.

6.05 Business Support Services

6.06 Head of Business Support Services

6.07 *Probable*- There is budget reduction of £20k due to long term sickness.

6.08 IT Services

6.09 *Probable* – A review of IT Licences third party contract payments has resulted in a reduction on the Original Estimate of £34k.

Estimate – Staffing efficiencies of £176k expected on completion of C3W.

6.10 Facilities and Property

6.11 *Probable/Estimate*- Engineering and Transport reflects a reduction in income of circa £18k as work from the Environment Agency is not expected, as has occurred in previous years, due to the economic climate.

6.12 *Estimate*- The expected transfer of staff from the Causeway building to Wallfields mid 2011/12 will result in a net saving of circa £115k.

6.13 Business Solutions

6.14 *Probable/Estimate*- Efficiency savings of £56k planned to be made in 2010/11 from increased turnover within the Printing, Desk Top Publishing and Microfilming services have not been achieved and have therefore been rolled forward to be identified in 2011/12.

6.15 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 Government spending review has resulted in a £24k loss of admin subsidy in 2010/11 and £33k in 2011/12. The increased caseload has generated a higher level of overpayments, thus generating a higher level of recovery of those overpayments, therefore giving a favourable increase of £350k. Efficiency savings (if taken) of £100k have yet to be incorporated into the 2011/12 Estimate.

Efficiency staffing savings of £90k are anticipated in 2011/12.

6.16 Financial Support Services

6.17 Accountancy and Asset Management

6.18 *Probable/Estimates*- Staffing efficiencies as a consequence of C3W will generate savings of circa £43k estimate to estimate. In Asset Management the savings although anticipated in 2010/11 will not transpire until 2011/12 upon completion of the C3W programme.

6.19 Miscellaneous Properties

6.20 *Probable*- A receipt of £50k has been received for the disruption caused upon the sale of land at Hartham to a supermarket.

6.21 Democratic and Legal Support Services

6.22 Democratic, Land Charges and Legal Services

6.23 *Estimate*- Staffing efficiency savings have been made across the service totalling over £100k.

6.24 Elections

6.25 *Probable*- The resignation of two Councillors has resulted in the need to conduct two by-elections costing circa £16k.

Estimate- Full District Council elections are to be held in May which is estimated to cost £100k of which £75k will be funded from reserves.

6.26 Land Charges Service

6.27 *Probable*- Land Charges income is expected to exceed the original estimate by a net £20k.

6.28 Other Services

6.29 *Probable-*

- *Corporate and Democratic Core*-There is an under spend of £48k on Members Allowances due to one less Executive Member and the review of allowances. This is coupled with a decrease in External Audit costs of £33k due to the costs of the Auditor being less than budgeted for, the demise of the Audit Commission and a refund from the AC relating to the implementation of International Financial Reporting Standards.
- *Other Expenses*- To balance the 2010/11 budget £23k of management actions to mitigate pressures were required to equalise the budget. This has been found via the underspend recognised in the salaries reported through the monthly Healthcheck report.
- Pathfinder costs are less than budgeted for circa £2k.
- Revenue Performance Reward Grant of £51k, subject to the Department for Communities and Local Government accepting the Local Strategic Partnership claim, will be made at the end of the financial year.

Estimate-

- It is not envisaged that a balancing mitigating actions sum will be required for the 2011/12 Budget. This equates to an increase of £23k over the 2010/11 Original Estimate.

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

Contact Member: Councillor M Tindale – Executive Member for Resources and Internal Services

Contact Officer: Alan Madin – Director of Internal Services – Contact Tel Ext No 1401

Report Author: Mick O'Connor– Principal Accountant

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>
<p>Consultation:</p>	<p>Not Applicable</p>
<p>Legal:</p>	<p>None</p>
<p>Financial:</p>	<p>See body of report</p>
<p>Human Resource:</p>	<p>None</p>
<p>Risk Management:</p>	<p>As outlined in the report</p>