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**REPORT TO:** Cabinet Member (Resources)

**DATE:** 20 December 2006

**DEPARTMENT:** Resources

**REPORTING OFFICER:** *Head of ITD  
(Steve Metcalfe)*

**SUBJECT:** **DRAFT GENERAL FUND BUDGET 2007/8  
Information Technology and Development**

**WARD/S AFFECTED:** None

**FORWARD PLAN REF:** N/A

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**1.0 PURPOSE OF REPORT**

- 1.1 To provide the Cabinet Member (Resources) with the financial information for the Information and Technology (ITD) Unit on:
- The revised estimates for 2006/7
  - The draft revenue estimates for 2007/8
  - Projections for 2008/9 and 2009/10

**2.0 RECOMMENDATIONS**

The Cabinet Member (Resources) is requested to:

- 2.1 Note the latest position shown in the revised estimates for 2006/7
- 2.2 Recommend the draft 2007/8 General Fund Estimates for ITD to the Cabinet
- 2.3 Note the projections for 2008/9 and 2009/10
- 2.4 Note the efficiency savings

**3.0 ALTERNATIVE OPTION CONSIDERED AND RECOMMENDED FOR REJECTION**

3.1 None, it is a requirement of the Council's Financial Procedure Rules for a budget to be recommended to the Cabinet Member and Cabinet.

**4.0 THE REPORT**

4.1 As a result of the corporate re-structure in April 2005, the former Access to Services (AtS) and IS&T business units have been combined into a single unit called Information Technology and Development (ITD). The budgets within the original business units were very complicated and this remains the case at present because, although the units have been combined from a management perspective, they still retain their separate accounts from a budget and accountancy perspective. The accounts are presented as unified ITD accounts, but the separation between AtS, IS&T and GIS Mapping have been maintained. The situation is further complicated by the fact that some staff costs both within the AtS and IS&T rechargeable accounts are funded by drawing down from the AtS Reserve Account.

4.2 Last year, a growth proposal for £100,00 was submitted to Cabinet as previously agreed growth for 2006/7, but the amount of growth finally agreed was reduced to £50,000. The annual amount credited to the AtS General Fund Reserve Account is now £450,000.

4.3 This report will cover the revenue estimates for the ITD cost centre. On Appendix A to this report, the ITD General Fund account appears on page H1 and variation statement on page H2. The ITD Rechargeable accounts appear on page H3, with the variation statement on page H4.

**5.0 BUDGET CHANGES RESULTING FROM THE NEW STATEMENT OF RECOMMENDED PRACTICE (SORP) 2006**

5.1 The CIPFA Accounting Code of Practice issued in 2006 has brought in a number of changes to the way that Local Authorities present their accounts from 2006/07. In order to prepare for 2006/07 Final Accounts, we have introduced these changes from 2006/07 Revised Estimates. The changes affecting the ITD service budgets relate to Capital Charges.

5.2 The main change is the removal of the notional interest element of the capital charge. The notional interest charge was 3.5% of the net book value of assets and its removal has resulted in a large reduction in the capital charges shown in the estimates. The remaining element is a charge for depreciation.

5.3 The notional interest charges were charged to services, but reversed centrally. Their removal, therefore, has no impact on the General Fund bottom line, because the central reversal is also removed.

## **6.0 DEFERRED CHARGE WRITE DOWNS AND APPROPRIATIONS FROM CFA**

6.1 The budget for this Business Unit contains deferred charge write downs. These represent capital charges for capital expenditure in the budget on purchases of computer software. The difference between deferred charge write downs and the usual capital charges is that deferred charges are all written off (charged to revenue) in the year they occur. Normal capital charges on our own fixed assets are spread over the life of the asset. This treatment is in accordance with capital accounting rules.

6.2 Where the capital expenditure has been financed from grants or from contributions, a contra entry is allowed from the capital financing account for the amount of grants/contributions used. This is the 'Appropriation from CFA'.

The net charge to the Business Unit reflects Harrogate Borough Council money used on this spending. It should be noted that a contra entry for all these items appears centrally in the Financial Management section of the Resources Portfolio.

## **7.0 VARIATIONS – GENERAL FUND ACCOUNT**

7.1 A summary of the major variations from OE 2006/7 to RE 2006/7 and from OE 2006/7 to OE 2007/8 is provided on page H2 of Appendix A. There has been a change in the proportion of AtS costs which have been charged out to Departments, with the proportion charged to Corporate reducing - which is shown here. The annual amount transferred to the AtS Reserves is reduced annually by staff costs within the AtS and ITD rechargeable accounts - these can be seen on page H4 of Appendix A. The support for Mashamshire Community Office was agreed growth in 2006/7, and the budget has now been transferred from DR Financial Management.

## **8.0 REVISED ESTIMATE 2006/7 – RECHARGEABLE ACCOUNT**

8.1 A summary of the major variations from OE 2006/7 to RE 2006/7 is provided on page H4 of appendix A. Variations which are not explained elsewhere in this report are:

- (i) AtS posts - there are two fixed term posts which are funded from AtS reserves and which are funded for half of 2006/7 and a full year in 2007/8.
- (ii) IS&T posts – savings have resulted from posts taking time to be filled and being filled at lower SCPs.
- (iii) Expenditure financed from BU Reserves – These items cover:
  - (a) the upgrade and new provision of air conditioning units (£15,000) following the failure of the existing units in the main server room following a power cut.

(b) the development of a separate server room (£120,000) in Scottsdale House to provide a facility to recover from a disastrous failure of the main server room. The latter project has been agreed as part of the Council's corporate ICT Strategy. The drawdown from ITD business unit reserves is included within MFI in the DR Financial Management Budget.

(iv) Terminals, Communications and Other increases/decreases – These items represent the net effect of several minor variances in hardware and general IT support.

## **9.0 ORIGINAL ESTIMATE 2007/8 – RECHARGEABLE ACCOUNT**

9.1 A summary of the major variations from OE 2006/7 to OE 2007/8 is provided on page H4 of Appendix A. Variations which are not explained elsewhere in this report are:

- (i) AtS posts - there are two fixed term posts which are funded from AtS reserves and which are funded for a full year in 2007/8.
- (ii) Application Software Support – This covers the annual costs paid to software suppliers for the support and maintenance of their systems and the increase is due to the inflationary increases of existing support contracts and also the introduction of a number of major new systems.
- (iii) Terminals and Communications - This item is the net result of several minor variances and inflationary increases in hardware support costs.

## **10.0 EFFICIENCY SAVINGS**

10.1 The ITD Business Unit has an efficiency savings target of £13,000 in 2007/8, of which £5,000 was required to be cash and £8,000 non-cash savings.

10.2 A cash efficiency saving of £10,000 has been identified as a result of the implementation of the new virtual server infrastructure. This has avoided at least £10,000 in net additional annual costs for support for the 24 servers which would have been purchased for new systems such as CRM and the new Agresso FMS and which currently reside on 2 servers in the new infrastructure. Further similar savings are anticipated in future years as further systems are installed or migrated into the new infrastructure.

10.3 Efficiency savings of £17,760 have been identified in IT Technical Support as a result of comparing the cost of IT support with the increase in the amount of technology supported.

## **11.0 OPTIONS FOR DISCRETIONARY GROWTH**

- 11.1 There are no requests for discretionary growth for 2007/8
- 11.2 In view of the current difficult financial position, no growth bid has been submitted for 2007/8, however it is advised that a consequence of this, coupled with the reduced growth agreed for 2006/7, may be the need for significant growth in future years to sustain the Council's ambitions for developing improved access to services using new technology.

## **12.0 FINANCIAL RISK MANAGEMENT**

- 12.1 A key element of income for the AtS project has been in the form of government grant linked to the submission of annual Implementing Electronic Government (IEG) Returns. The Council has submitted five IEG Returns and has, as a result, attracted £900,000 in capital grant funding from the Government. The Government targets for e-government have now passed, however, the Government has introduced a wider "transformational" change agenda for local authorities which builds on the systems and infrastructure which the e-government agenda should have provided.
- 12.2 The Council has an ambitious programme for developing and improving access to its services using technology and has already made some substantial progress in implementing some of the fundamental systems required to support it, such as the CRM, website, GIS and Local Land and Property Gazetteer, as well as increasing the staffing in ITD to support these developments. The last major system, which has not yet been developed is electronic document and records management (EDRMS). The Council is now on the brink of being able to use these developments to make real and lasting improvements to its service delivery and the EDRMS will substantially add value to those improvements. Having made this investment in creating these systems, there is a risk that the Council will not provide sufficient funding in the future to maintain and develop them in the future, as outlined in para. 3.2 of this report. This would also create a significant risk of not being able to address the new transformational change agenda which the Government is now moving to.
- 12.3 2006/7 and 2007/8 will see major investments being made in the Council's ICT infrastructure, mainly from the IT Reserve Budget and business unit reserves. The implementation of this new technology represents a risk to the Council's ability to deliver those services which rely on ICT. It does, however, also provide a significant opportunity both to improve the effectiveness and reliability of the infrastructure as well as allowing us to develop more effective solutions for disaster recovery and business continuity and prepare for new initiatives such as mobile and homeworking.

**13.0 PROJECTIONS 2008/9 and 2009/10**

13.1 We are now required, under the Government's new Prudential Code and also for the Comprehensive Performance Assessment, to produce projections for the next three years. These projections are only a broad indication of likely net expenditure levels and have been compiled in accordance with the guidance and parameters set.

**14.0 SCRUTINY**

14.1 The Organisation Improvement and Environment Scrutiny Commission will consider this report on 15th January 2007.

**Background Papers: None**

**OFFICER CONTACT:** Please contact Steve Metcalfe, Head of ITD, if you require any further information on the contents of this report. The officer can be contacted at The Council Offices, Crescent Gardens by telephone on (01423) 556156 or by Email – [Stephen.Metcalfe@harrogate.gov.uk](mailto:Stephen.Metcalfe@harrogate.gov.uk)

## RESOURCES PORTFOLIO

## DEPARTMENT OF RESOURCES

## Business Unit: Information Technology Development

2005/06 Actual	2006/07 Original Estimate	2006/07 Revised Estimate	Cost Centre	2007/08 Original Estimate	2008/09 Projection	2009/10 Projection
£	£	£		£	£	£
			<b>Central Services:</b>			
			<b>Corporate &amp; Democratic Core</b>			
			<b>Corporate Management</b>			
114,645	105,750	107,320	Access to Services	85,220	62,140	63,570
214,022	145,360	136,390	Appropriation to Reserves	78,670	107,860	165,680
328,667	251,110	243,710	<b>GF Net Expenditure</b>	163,890	170,000	229,250
			<b>Subjective Analysis</b>			
214,022	145,360	136,390	Appropriation to Reserves	78,670	107,860	165,680
214,022	145,360	136,390	<b>Total Controllable Expenditure</b>	78,670	107,860	165,680
114,645	105,750	107,320	Support Services	85,220	62,140	63,570
114,645	105,750	107,320	<b>Total Additional Expenditure</b>	85,220	62,140	63,570
328,667	251,110	243,710	<b>Net Expenditure</b>	163,890	170,000	229,250

**RESOURCES PORTFOLIO  
REVENUE BUDGET 2007/08**

**DEPARTMENT OF RESOURCES  
Information Technology Development**

**Major Variances between 2006/07 Original Estimates and Revised Estimates**

		£	
Revised Estimate 2006/07		243,710	
Original Estimate 2006/07		<u>251,110</u>	
	Decrease(-) in Net Expenditure	<u>-7,400</u>	
<b>Explained by:-</b>			
	£'000		£'000
<b>CONTROLLABLE EXPENDITURE</b>			
Reduced Appropriation to Reserve			
Increased employee costs within ITD and AtS holding a/c (funded from AtS reserve)			-9
<b>ADDITIONAL EXPENDITURE</b>			
Increased recharge for Corporate costs from Access to Services holding a/c			
	-3		
Grant to Mashamshire Comm Office (Growth in 2006/2007 included within MFI)			
	<u>5</u>		<u>2</u>
			<u>-7</u>

**RESOURCES PORTFOLIO**

**DEPARTMENT OF RESOURCES**

**Business Unit: Information Technology Development**

**Major Variances between 2006/07 and 2007/08 Original Estimates**

		£	
Original Estimate 2007/08		163,890	
Original Estimate 2006/07		<u>251,110</u>	
	Decrease(-) in Net Expenditure	<u>-87,220</u>	
<b>Explained by:-</b>			
	£'000		£'000
<b>CONTROLLABLE EXPENDITURE</b>			
Reduced Appropriation to Reserves			
Increased employee costs within ITD and AtS holding a/c (funded from AtS reserve)			-67
<b>ADDITIONAL EXPENDITURE</b>			
Increased recharge for Corporate costs from Access to Services holding a/c			
	-25		
Grant to Mashamshire Comm Office (Growth in 2006/2007 included within MFI)			
	<u>5</u>		<u>-20</u>
			<u>-87</u>



**RESOURCES PORTFOLIO**

**DEPARTMENT OF RESOURCES  
RECHARGEABLE ACCOUNTS**

**Business Unit: Information Technology Development**

2006/07 Original Estimate restated	2006/07 Revised Estimate	Cost Centre	2007/08 Original Estimate		
			Gross Expenditure	Gross Income	Net Expenditure
£	£		£	£	£
		<b>Support Services</b>			
1,677,730	1,719,760	Information Systems & Technology	1,671,930	1,210	1,670,720
207,510	195,060	Access to Services	225,850	0	225,850
77,480	71,010	GIS Mapping	66,340	0	66,340
1,085,780	1,336,310	Deferred Charges write downs	755,960	0	755,960
-9,760	-388,050	Transfer from CFA	0	127,440	-127,440
-3,038,740	-2,934,090	<b>Recharges to Services</b>	0	2,591,430	-2,591,430
0	0	<b>GF Net Expenditure</b>	2,720,080	2,720,080	0
		<b>Subjective Analysis</b>			
929,220	944,500	Employees	1,017,060		
567,860	701,970	Supplies & Services	594,680		
5,020	5,020	Transport	5,060		
1,502,100	1,651,490	<b>Total Controllable Expenditure</b>	1,616,800		
31,000	31,010	Employees	32,190		
83,520	37,820	Supplies & Services	32,390		
233,160	192,100	Support Services	202,510		
7,440	7,440	Service Management	7,250		
106,710	67,180	Capital Charges	72,980		
1,085,780	1,336,310	Deferred Charges write downs	755,960		
1,547,610	1,671,860	<b>Total Additional Expenditure</b>	1,103,280		
3,049,710	3,323,350	<b>Total Expenditure</b>	2,720,080		
		<b>Less Income</b>			
3,038,740	2,934,090	Internal Recharges	2,591,430		
1,210	1,210	Other Income	1,210		
9,760	388,050	Internal Capital Charges	127,440		
0	0	<b>Net Expenditure</b>	0		

**RESOURCES PORTFOLIO  
REVENUE BUDGET 2007/08**

**DEPARTMENT OF RESOURCES  
Information Technology Development**

**Major Variances between 2006/07 Original Estimates and Revised Estimates**

	<b>£</b>	
Revised Estimate 2006/07	3,322,140	
Original Estimate 2006/07	<u>3,048,500</u>	
	<b>Increase in Net Expenditure</b>	<b><u>273,640</u></b>
<b>Explained by:-</b>	<b>£'000</b>	<b>£'000</b>
<b><u>CONTROLLABLE EXPENDITURE</u></b>		
Increase in Employees		
IS&T posts - vacancies/lower SCP (funded from AtS reserve - approp within AtS GF)	-25	
AtS posts - 2 new part year posts (funded from AtS reserve - approp within AtS GF)	34	
Other employee costs	6	
Increase in Supplies & Services		
Terminals hardware maintenance and communications	5	
Application software support	-6	
Air conditioning units (funded from BU Reserves - appropriation within MFI)	15	
Server room alterations (funded from BU Reserves - appropriation within MFI)	120	
Other increases	<u>1</u>	150
<b><u>ADDITIONAL EXPENDITURE</u></b>		
Reduced Supplies & Services	-46	
Decreased Support Charges	-41	
Decreased Capital Charges - Interest no longer charged/lower depreciation cost	-40	
Increase in Deferred Charge Write Downs	<u>251</u>	124
		<u><u>274</u></u>

**RESOURCES PORTFOLIO**

**DEPARTMENT OF RESOURCES  
RECHARGEABLE ACCOUNTS**

**Business Unit: Information Technology Development**

**Major Variances between 2006/07 and 2007/08 Original Estimates**

	<b>£</b>	
Original Estimate 2007/08	2,718,870	
Original Estimate 2006/07	<u>3,048,500</u>	
	<b>Decrease(-) in Net Expenditure</b>	<b><u>-329,630</u></b>
<b>Explained by:-</b>	<b>£'000</b>	<b>£'000</b>
<b><u>CONTROLLABLE EXPENDITURE</u></b>		
Increase in Employees		
Pay award - 2.5%/Increase in superannuation rate from 19.9% to 21.0%	23	
IS&T posts - lower SCP (funded from AtS reserve - approp within AtS GF)	-4	
AtS posts - 2 new posts (funded from AtS reserve - approp within AtS GF)	71	
Staff changes/regrades/increments/other	-2	
Increase in Supplies & Services		
Terminals hardware maintenance and communications	8	
Application software support	17	
Other increases	<u>2</u>	115
<b><u>ADDITIONAL EXPENDITURE</u></b>		
Increase in other direct salaries	1	
Reduced Supplies & Services	-51	
Decrease in Support Charges	-31	
Decreased Capital Charges - Interest no longer charged/lower depreciation cost	-34	
Reduction in Deferred Charge Write Downs	<u>-330</u>	-445
		<u><u>-330</u></u>