

REPORT TO: Cabinet Member (Finance & Resources)

DATE: 20 December 2006

DEPARTMENT: Resources

REPORTING OFFICER: Head of Legal and Democratic Services

SUBJECT: **REVISED ESTIMATES 2006/2007 AND DRAFT
GENERAL FUND BUDGET 2007/2008 FOR LEGAL
AND DEMOCRATIC SERVICES BUSINESS UNIT**

WARD/S AFFECTED: N/A

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

1.1 To provide the Portfolio Holder with financial information for Legal and Democratic Services in respect of:-

- The revised estimates (RE) for 2006/07
- The original estimates (OE) for 2007/08
- Requests for discretionary growth.

2.0 RECOMMENDATION/S

2.1 It is recommended that the Cabinet Member:-

- (i) Note the revised 2006/07 estimates;
- (ii) Recommend the Draft General Fund estimates for 2007/08 to Cabinet;
- (iii) Consider the growth bid in respect of Ward Member Budgets and make appropriate recommendation;
- (iv) Note the projections for 2008/09 and 2009/10;
- (v) Proposed efficiency savings.

3.0 OVERVIEW AND KEY FEATURES

3.1 Budget Changes resulting from New Statement Recommended Practice 2006

The CPFA 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.

- 3.2 In order to prepare for 2006/07 final accounts, we have introduced these changes from 2006/07 Revised Estimates. The changes affecting service budgets are Capital Charges.

3.3 Capital Charges

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.

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.

3.4 Overview

- 3.4.1 These budgets contain two elements, the first three pages of the attached, Appendix A, related to direct services such as Local Searches, Electoral work and the Mayoralty, whilst the last three pages, Appendix B, concern rechargeable holding accounts where support activity such as the Customer Services Unit and the Print Unit are ultimately recharged to the services that they support.

3.4.2 General Fund Revised (Appendix A)

As regards the service element the Revised Estimate for 2006/07 is £1,755,790 compared to an original estimate of £1,871,200, a decrease of £115,000. The major variances are shown on page 2 of the supplementary documentation.

3.4.3 General Fund Original (Appendix A)

The original estimate for 2007/08 is £1,912,630 and by far the most significant element of increase is the projected fall in net income over expenditure on the "Legal Services" (Land Charges) line which is discussed in more detail in paragraph 3.3 below.

3.4.4 Holding Account Revised Estimate (Appendix B)

These accounts show a Revised Estimate of £1,646,380 for the current year, compared to an original estimate of £1,597,600. The major variances here are to be found on page 5 of the information provided.

3.4.5 Holding Account Original Estimate (Appendix B)

The proposed original estimate for 2007/08 in respect of the rechargeable accounts is £1,728,740 and the main variances between 2006/07 and 2007/08 are set out on page 6 of the attached papers.

3.4.6 CSU

The Corporate Customer Services Unit was set up within existing resources from April 2006 and went live delivering services from June of this year. The budget compiled last year at this time was drawn together from a number of budgets across the Council and thus represented the best estimate possible at the time. However, now that the team is in place and service being delivered a more robust estimate has been possible.

This budget also includes the operation costs of the corporate telephone system and the maintenance budgets for the new Customer Relationship Management System (CRM) and the upgraded telephony. They also include building recharges in respect of customer accommodation at Crescent Gardens. There are no growth items or efficiency savings relating to this cost centre.

3.4.7 In respect of the Customer Services Unit, the original budget in 2006/07 for staff costs was understated and the hours of some posts have been adjusted, leading to the variances of £7,000 and £5,000 respectively at RE 2006/07 with variances of £20,000 and £4,000 at OE 2007/08. A budget of £3,000 for training is now also included.

The budgets for mobile telephones within the CSU have been transferred back to Department of Development Services resulting in a reduction of £29,000 at RE 2006/07 and OE 2007/08. The running costs of the new technology implemented as part of the new customer service programme has been transferred from the Access to Services provision and are now included in this budget.

3.5 Local Land Charges Fees

3.5.1 There is considerable uncertainty about forthcoming guidance from the Lord Chancellor and the Chartered Institute of Public Finance and Accountancy with regard to the level of income from fees chargeable under the Land Charges Act 1975. It is likely that the effect will be that the service will have to operate as a trading account and this has necessitated an urgent review of the costs fairly chargeable to delivery of this service.

3.5.2 The result has been that the projected net income has been reduced from £330,840 to £204,570. The Cabinet Member (Finance and Resources) has also already decided that the only prudent course was to determine that fees

charged will not be increased for 2007/08.

- 3.5.3 Representations are being made nationally to highlight this issue and its potentially serious impact on both Local Authority budgets and Personal Search agents whose competitive position may be damaged as a consequence of these proposals.
- 3.5.4 No change has been assumed as regards the income target for Land Charges. As this involves an estimate of likely housing market conditions up to 31 March 2008 there is always an inherent risk in the income estimate for this service.

3.6 **Electoral Services**

- 3.6.1 Following the passing of the Electoral Administration Act, it will be necessary to contact all postal voters to capture their signatures and date of birth to help combat electoral fraud.
- 3.6.2 The Government has been prescriptive about the manner in which this is to be done and the timing of reminders etc. This will increase postage costs to an unknown degree (depending on the number of electors requiring subsequent reminders and/or notification that they will be removed from the list of postal voters) but the major cost will be in the software and scanner equipment needed to conduct the actual checks.
- 3.6.3 The costs here are very uncertain and the software costs will be an ongoing revenue item. It is likely that the year one costs, including the purchase of a good quality robust scanner, will be in the region of £20,000 with an ongoing revenue cost of approximately £10,000 thereafter. In the circumstances, the only prudent course is to utilise the Election Reserve for this expenditure pending clarification of the final costs and Government funding.

4.0 **DETAILS OF CASH AND EFFICIENCY SAVINGS**

- 4.1 The following cash and efficiency savings have been incorporated in the budget:-

Paper Procurement	£ 5,480	Cash
Postage	£ 3,600	Cash
Additional Ombudsman Work	£15,522	Non-cash

5.0 **DETAILS OF DISCRETIONARY GROWTH**

- 5.1 I submitted a growth bid concerning the proposed re-introduction of the Ward Member budget scheme on behalf of Councillor Lewis in her capacity as Chair of the Community and Partner Overview and Scrutiny Commission. It was suggested that the Member Allowance Scheme be reintroduced with an allowance of £1,000 plus amendments to this scheme aimed at reducing bureaucracy.

Corporate Management Team considered this proposal on 2 November 2006

and agreed to give the matter further consideration at their 14 December 2006 meeting. It is likely, however, that this item will be recommended for deferral, pending clarification of related proposals in the recently published White Paper.

6.0 FEES AND CHARGES

- 6.1 The fees and charges for Crescent Gardens room hire were increased by 3.9% in accordance with Corporate requirements at the Cabinet Member (Finance & Resources) Meeting held on 29 November 2006
- 6.2 Land Charges fees are discussed separately at Paragraph 3.5.

7.0 PROJECTIONS 2008/08 and 2009/10

- 7.1 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.

8.0 FINANCIAL RISK MANAGEMENT

- 8.1 The major risks in relation to non-achievement of income targets on Land Charges, potential charges in regulations in the same area and the impact of recent electoral legislation have been discussed earlier in this report.

9.0 SCRUTINY

- 9.1 This report will be considered by the Organisation and Improvement and Environment Commission at its meeting on 15 January 2007

Background Papers -

OFFICER CONTACT: Please contact Peter Jordan if you require any further information on the contents of this report. The officer can be contacted at Crescent Gardens, Harrogate by telephone on (01423) 556029 or by Email – peter.jordan@harrogate.gov.uk

SUSTAINABILITY ASSESSMENT / POLICY CONSIDERATIONS

		Implications are		
		Positive	Neutral	Negative
A	Economy		✓	
B	Environment		✓	
C	Social Equity			
i)	General		✓	
ii)	Customer Care / People with Disabilities			
iii)	Health Implications			
D	Crime and Disorder Implications		✓	

If all comments lie within the shaded areas, the proposal is sustainable.

RESOURCES PORTFOLIO

DEPARTMENT OF RESOURCES

Business Unit: Legal & Democratic Services

2005/06 Actual	2006/07 Original Estimate	2006/07 Revised Estimate	Cost Centre	2007/08 Original Estimate	2008/09 Projection	2009/10 Projection
£	£	£		£	£	£
			Central Services: Corporate & Democratic Core : Democratic Representation & Management			
126,239	139,460	129,860	Mayoralty	130,610	133,440	136,340
567,923	583,760	570,810	Member Services	572,220	584,560	597,190
319,169	342,800	347,030	Meeting Management	354,190	361,910	369,830
689,680	864,940	779,780	Other Officers	793,990	813,830	834,190
			Central Services to the Public			
-325,491	-319,730	-330,840	Legal Services	-204,570	-196,930	-189,080
148,359	151,210	156,280	Electoral Registration	153,450	155,560	157,710
23,824	111,280	106,640	Elections / Other Elections	112,740	113,900	115,100
55,673	-2,520	-3,770	Appropriation to/from(-) Reserves	0	0	0
1,605,376	1,871,200	1,755,790	GF Net Expenditure	1,912,630	1,966,270	2,021,280
			Subjective Analysis			
437,594	474,660	485,700	Employees	511,230	523,880	536,870
17,658	6,500	6,500	Premises	6,500	6,500	6,500
744,960	611,120	606,170	Supplies & Services	614,690	623,600	632,710
21,202	25,350	25,350	Transport	25,950	26,010	26,070
55,673	-2,520	-3,770	Appropriation to/from(-) Reserves	0	0	0
1,277,088	1,115,110	1,119,950	Total Controllable Expenditure	1,158,370	1,179,990	1,202,150
800,570	985,070	899,910	Employees	996,730	1,021,620	1,047,160
63,670	68,180	68,800	Premises	70,740	72,510	74,320
68,598	66,870	79,210	Supplies & Services	86,870	89,040	91,280
236,322	259,130	235,710	Support Services	257,000	263,740	270,680
23,427	34,570	9,940	Capital Charges	8,590	8,590	8,590
1,192,588	1,413,820	1,293,570	Total Additional Expenditure	1,419,930	1,455,500	1,492,030
2,469,676	2,528,930	2,413,520	Total Expenditure Less Income	2,578,300	2,635,490	2,694,180
624,055	574,470	574,470	Sales Fees & Charges	574,510	574,610	574,710
77,456	80,760	80,760	Internal Recharges	88,660	92,110	95,690
162,788	2,500	2,500	Other Income	2,500	2,500	2,500
1,605,376	1,871,200	1,755,790	Net Expenditure	1,912,630	1,966,270	2,021,280

Full Time Equivalents

The employees cost relates to the following number of full time equivalent employees:

OE 2006/7 16.23 RE 2006/7 16.04 OE 2007/8 16.20

RESOURCES PORTFOLIO
LEGAL & DEMOCRATIC SERVICES

Major Variances between 2006/07 Revised and Original Estimates

	£	
Revised Estimate 2006/07	1,755,790	
Original Estimate 2006/07	1,871,200	
Increase/Decrease(-) in Net Expenditure	<u>-115,410</u>	
Explained by:	£'000	£'000
<u>Controllable Expenditure</u>		
Employees Costs:-		
Members services officer increased hours	6	
Regrade senior election officer	3	
(1) Trainee mem services officer sickness leave (see approp below)	-4	
Increase in % super paid Mayors chauffeur	2	
Other incl decrease in vacancy provision 4k	4	
Floral decorations	-5	
Increase in Appropriations:-		
(1) Sickness leave trainee member services officer (see above)	-1	
	<hr/>	5
<u>Additional Expenditure</u>		
Other Direct Salaries - incorrect OE 06/7	-85	
(Audit -94k, Scrutiny +75k, Culture -32k, Media/PR +26k, Planning -65k)		
Computer SLA	13	
Various SLAs (DCPI -15k, AtS -7k)	-23	
Removal of notional interest charge	-19	
Reduced depreciation charge on Mayors car	-6	
	<hr/>	-120
		<hr/> <u>-115</u>

Note: numbered items are linked

RESOURCES PORTFOLIO
LEGAL & DEMOCRATIC SERVICES

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

	£	
Original Estimate 2007/08	1,912,630	
Original Estimate 2006/07	1,871,200	
Increase/Decrease(-) in Net Expenditure	<u>41,430</u>	
Explained by:	£'000	£'000
<u>Controllable Expenditure</u>		
Employees Costs:-		
Pay award plus superannuation increase	16	
Increments	4	
Member services officer increased hours	7	
Regrade senior election officer	4	
Full year Elections officer post	3	
Other	3	
Supplies & Services:-		
Floral decorations	-5	
Members basic allowances	6	
Members special responsibility allowance	2	
Advertising Land Charges	5	
(1) Reduced postage costs members -3.6k (cash saving) elections -2.5k	-6	
Other incl car allowances	1	
Reduced Appropriation:		
(1) automated Electoral tel registration system no longer required	3	
	<hr/>	43
<u>Income</u>		
Internal - recharged DRM meeting management		-8
<u>Additional Expenditure</u>		
Other Direct Salaries - incorrect OE 06/7 (Audit -95k, Scrutiny +81k, Media +27k, Culture -32k, Planning -65k)	-71	
DDS charge to Land charges	75	
Other Direct Salaries -Elections increase	5	
Computer SLA	20	
Other SLAs	3	
Removal of notional interest charge	-19	
Reduced depreciation charge on Mayors car	-7	
		6
	<hr/>	<u>41</u>

Note: numbered items are linked

RESOURCES PORTFOLIO
DEPARTMENT OF RESOURCES
RECHARGEABLE ACCOUNTS

Business Unit: Legal & Democratic Services

2006/07 Original Estimate	2006/07 Revised Estimate	Cost Centre	2007/08 Original Estimate		
			Gross Expenditure	Gross Income	Net Expenditure
£	£		£	£	£
		Service Management & Support Services			
105,860	102,740	Print Unit	96,070		96,070
97,870	99,480	Town Hall Keepers	104,660	2,910	101,750
623,300	648,430	Legal Support	685,600	22,500	663,100
45,560	51,090	Debt Recovery	68,350	12,000	56,350
725,010	744,640	Customer Services Unit	773,790	3,500	770,290
-1,597,600	-1,646,380	Recharges to Services		1,687,560	-1,687,560
0	0	Net Expenditure	1,728,470	1,728,470	0
		Subjective Analysis			
888,100	919,750	Employees	945,920		
28,400	36,000	Premises	38,000		
389,130	361,810	Supplies & Services	363,140		
4,120	4,120	Transport	4,120		
1,309,750	1,321,680	Total Controllable Expenditure	1,351,180		
20,300	34,090	Employees	44,510		
136,340	134,290	Supplies & Services	130,380		
156,490	189,190	Support Services	195,470		
15,640	6,930	Capital Charges	6,930		
328,770	364,500	Total Additional Expenditure	377,290		
1,638,520	1,686,180	Total Expenditure	1,728,470		
		Less Income			
2,800	2,800	Sales Fees & Charges	2,910		
1,597,600	1,646,380	Internal Recharges	1,687,560		
38,120	37,000	Other Income	38,000		
0	0	Net Expenditure	0		

Full Time Equivalents

The employees cost relates to the following number of full time equivalent employees:

OE 2006/7 29.67 RE 2006/7 29.78 OE 2007/8 29.32

RESOURCES PORTFOLIO

LEGAL & DEMOCRATIC SERVICES RECHARGEABLE ACCOUNTS

Major Variances between 2006/07 Revised and Original Estimates

	£	
Revised Estimate 2006/07	1,646,380	
Original Estimate 2006/07	1,597,600	
Increase in Net Expenditure	<u>48,780</u>	
Explained by:	£'000	£'000
<u>Controllable Expenditure</u>		
Employees Costs:-		
CSU adjustment to hours / salary scale points	5	
CSU budget error OE 06/7	7	
Chief Solicitor honorarium	3	
Extra superannuation costs	6	
Training	3	
Overtime	1	
Other including reduced vacancy prov £6k	7	
Supplies & Services:-		
CSU Planned maintenance work (funded from CRM maint below)	8	
Court fees (Debt Recovery)	6	
CSU mobile phone rental transferred back to DDS	-19	
CSU mobile phone calls transferred back to DDS	-10	
CSU CRM & telephone maintenance (funds planned mtce above)	-8	
Equipment	1	
Other	<u>2</u>	12
<u>Additional Expenditure</u>		
Other direct salaries increase (legal 16k, CSU -5k, other 3k)	14	
Other SLAs (CSU admin bldgs 20k, CSU DR supp 7k)	32	
Removal of notional interest charge	<u>-9</u>	37
		<u><u>49</u></u>

RESOURCES PORTFOLIO

LEGAL & DEMOCRATIC SERVICES RECHARGEABLE ACCOUNTS

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

	£	
Original Estimate 2007/08		1,687,560
Original Estimate 2006/07		<u>1,597,600</u>
Increase in Net Expenditure		<u>89,960</u>
Explained by:	£'000	£'000
<u>Controllable Expenditure</u>		
Employees Costs:-		
Pay award plus superannuation increase	23	
Increments	5	
CSU adjustment to hours / salary scale points	4	
CSU budget error OE 06/7	20	
Chief Solicitor honorarium	3	
Non qualification training	3	
Supplies & Services:-		
CSU Planned maintenance work (funded from CRM maint below)	10	
Court fees (Debt Recovery) net 7k as inc increased by 2k	9	
CSU mobile phone rental transferred back to DDS	-19	
CSU mobile phone calls transferred back to DDS	-10	
CSU CRM & telephone maintenance (funds planned mtce above)	-9	
Other	<u>2</u>	41
<u>Additional Expenditure</u>		
Other direct salaries increase (legal 20k, other 4k)	24	
Other SLAs (CSU admin bldgs 20k/ DR supp 7k Legal DR supp 14k)	34	
Removal of notional interest charge	-9	49
		<u>90</u>