

REPORT TO: Organisation, Improvement and Environment Overview and Scrutiny Commission

DATE: 18 January 2007

DEPARTMENT: Community Services

REPORTING OFFICER: Michelle Ingham (Business Support Manager)

SUBJECT: **DRAFT GENERAL FUND REVENUE BUDGET 2007/08 DCS BUSINESS SUPPORT BUSINESS UNIT**

WARD/S AFFECTED: All

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to consider budget details as they relate to services and functions in the DCS Business Support Business Unit, which fall under the terms of reference of the Cabinet Member (Environment).
- 1.2 The Director of Resources has been consulted during the preparation of this report.

2.0 RECOMMENDATION/S

- 2.1 The latest financial position shown in the Revised Estimates for 2006/2007, as detailed in Appendix A, is noted.
- 2.2 The Draft General Fund Revenue Estimates for 2007/2008 as detailed in Appendix A are recommended to the Cabinet.

3.0 RECOMMENDED REASON/S FOR DECISION/S

- 3.1 To assist in monitoring the current years financial position and in the setting of the overall Council Draft General Fund Revenue Estimates for 2007/08 and make recommendations to the Cabinet meeting in January 2007.

4.0 ALTERNATIVE OPTION/S CONSIDERED AND RECOMMENDED FOR REJECTION

- 4.1 Not to approve the budget estimates and make no recommendations to the Cabinet Meeting in January 2007 – rejected as not in accordance with the Council's medium term financial strategy, or the legal framework which governs Local Authority accounting.

5.0 THE REPORT

The information contained in this report is as follows: -

Main Report - which includes specific information and comments on the main features of the detailed budget from the Director of Community Services.

Appendix A - contains the draft summary budget and details of the variances between the Original Estimate 2006/07 and the Revised Estimate 2006/07 and Original Estimate 2007/08, for this portfolio.

5.1 Budget Changes Resulting from new Statement of Recommended Practice 2006

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 service budgets are:

5.2 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.

5.4 Key Changes in the Revised Estimates 2006/07 for DCS Business Support

The key variances between Original Estimate and Revised Estimate 2006/07 are highlighted in page 2 of Appendix A.

5.4.1 Controllable Expenditure

- There are no major variances

5.4.2 Additional Expenditure

- Capital charges have decreased (-£10k), due entirely to the removal of the notional interest charges (see note in paragraph 5.2).
- The computer SLA charge has increased by +£25k.
- There has been a net decrease in support charges (-£26k), with the

main variances being in the charges from DCPI (-£57k), Human Resources (+£42k), Access to Services (-£33k) and Cashiers (+£17k).

Other Small Variances: -£1k

5.5 Key Changes in the Original Estimates 2007/08 for Business Support

The key variances between Original Estimate 2006/07 and Original Estimate 2007/08 are highlighted in page 3 of Appendix A. Business Support does not levy any external charges and therefore is not subject to a pricing report.

5.5.1 Controllable Expenditure

- There is an increase in salaries of **+£39k**, due to the 2.5% pay award (+£22k), salary increments (+£10k) and the increase in the superannuation rate from 19.9% to 21.0% (+£7k).
- One FTE post has been transferred to the Environment Business Unit (**-£76k**). Some budget for car allowances has also been transferred along with the post (**-£2k**).
- There has been a transfer of some training budget to both Leisure, Museums & Arts and Parks & Bereavement Services (**-£4k**).

5.5.2 Additional Expenditure

- Capital charges have decreased (**-£10k**), due entirely to the removal of notional interest charges (see note in paragraph 5.2).
- Insurance charges have decreased (**-£33k**)
- Costs are no longer recharged internally within DCS Business Support and this has resulted in a decrease in total support costs within the Business Unit (**-£112k**).
- There has been a net decrease in the other support charges made to the Business Unit (**-£96k**), with the main variances being in the charges from DCPI (-£56k), Payroll (-£55k), Admin Buildings (-£21k), Human Resources (+£19k) and Cashiers (+£19k).
- The computer SLA charge has decreased by **-£5k**.

Other Small Variances: -£4k

6.0 EFFICIENCY SAVINGS

6.1 Cash Efficiency Savings

As part of the 2% efficiency target (0.75% cash savings), £3000 of cash savings has been identified and incorporated into the base budget for 2007/08

- 1) Reduced expenditure for marketing £3000

6.2 Non cash efficiency savings

- 1) Additional time setting up and maintaining more effective monitoring for cascade and bed and breakfast - £1352.
- 2) Increased number of debtors to be raised with the same amount of staff - £3328.

- 3) Additional work carried out on installing and monitoring the new Financial Management System - £1620.
- 4) The Marketing Officer spending 20% of her time on corporate activities - £6300.

Total non cash efficiency gain: £12,600

7.0 Discretionary Growth

No growth proposed.

8.0 FINANCIAL RISK MANAGEMENT

8.1 A key aspect of the Council's approach to budgeting is a risk management assessment, which is carried out throughout the budget process.

8.2 In the case of expenditure, there is little risk to most of the General Fund Estimates and the budget can be fairly accurately predicted, for example employee costs and most running costs.

8.3 A key element of the risk assessment process is the review of all budgets, especially those reflecting material risk, by the Director of Resources and the Head of Financial Management in conjunction with Directors, which takes part routinely as part of the Budget preparation process.

9.0 SCRUTINY

9.1 The Business Support 2007/08 Budget will be scrutinised by the Organisation, Improvement & Environment Overview & Scrutiny Commission on 18th January 2007.

10.0 CONCLUSION/S

10.1 Estimates are in accordance with the Council's medium term financial strategy to assist in the setting of the overall Council Draft General Fund Revenue Estimates for 2007/2008.

Background Papers -

1. *Estimate working papers held within the Resources Department.*
2. *Working papers held within the Department of Community Services.*

OFFICER CONTACT: Please contact Michelle Ingham if you require any further information on the contents of this report. The officer can be contacted at the Department of Community Services, Springfield House, Kings Road, Harrogate HG1 5NX by telephone on 01423 556884 or by Email – michelle.ingham@harrogate.gov.uk

		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.

**ENVIRONMENT PORTFOLIO
RECHARGEABLE ACCOUNTS**

Business Unit: Business Support (Community 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			
268,080	253,240	Directorate	113,120	0	113,120
1,367,730	947,620	Secretarial & Support	828,740	0	828,740
951,910	1,374,740	Departmental Overheads	1,344,060	750	1,343,310
2,587,720	2,575,600		2,285,920	750	2,285,170
-2,587,720	-2,575,600	Recharges to Services		2,285,170	-2,285,170
0	0	Net Expenditure	2,285,920	2,285,920	0
		Subjective Analysis			
970,190	972,860	Employees	929,510		
95,410	91,260	Supplies & Services	90,800		
9,200	9,200	Transport	7,500		
1,074,800	1,073,320	Total Controllable Expenditure	1,027,810		
101,300	100,760	Employees	67,520		
459,290	484,440	Supplies & Services	453,680		
930,750	891,400	Support Services	710,620		
9,300	22,320	Service Management	21,730		
13,980	4,560	Capital Charges	4,560		
1,514,620	1,503,480	Total Additional Expenditure	1,258,110		
2,589,420	2,576,800	Total Expenditure	2,285,920		
		Less Income			
		Internal Recharges			
962,470	1,017,130	Leisure	884,300		
458,800	484,850	Parks	466,560		
244,910	203,410	Environment	200,690		
239,920	206,960	Public Protection	194,090		
668,350	649,980	Housing	525,920		
13,270	13,270	Corporate Projects	13,610		
2,587,720	2,575,600		2,285,170		
500	1,200	Sales, Fees & Charges	750		
1,200	0	Other Income	0		
2,589,420	2,576,800	Income	2,285,920		
0	0	Net Expenditure	0		

Full Time Equivalents

The Employees cost relates to the following number of full time equivalent employees:
33.98 at OE 06/07, 33.14 at RE 06/07 and 33.24 at OE 07/08.

BUSINESS SUPPORT (COMMUNITY SERVICES) BUSINESS UNIT

Major Variances between 2006/07 Original Estimates & Revised Estimates

	£	
Revised Estimate 2006/07	2,575,600	
Original Estimate 2006/07	<u>2,587,720</u>	
Increase/Decrease(-) in Recharges to Services	<u>-12,120</u>	
Note: Numbers against items indicate items that are linked		
Explained by :	£'000	£'000
<u>CONTROLLABLE EXPENDITURE</u>		
Employee Costs		
Various	<u>3</u>	3
Supplies & Services Costs		
Various	<u>-4</u>	-4
		-1
<u>ADDITIONAL EXPENDITURE</u>		
Computer SLA	25	
Support Costs	-26	
Capital Charges - removal of notional interest	<u>-10</u>	-11
Decrease in Recharges to Services		<u><u>-12</u></u>

BUSINESS SUPPORT (COMMUNITY SERVICES) BUSINESS UNIT

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

	£	
Original Estimate 2007/08	2,285,170	
Original Estimate 2006/07	2,587,720	
Increase/Decrease(-) in Recharges to Services	<u>-302,550</u>	
Note: Numbers against items indicate items that are linked		
Explained by :	£'000	£'000
<u>CONTROLLABLE EXPENDITURE</u>		
Employee Costs		
Pay award 2.5%	22	
Salary increments	10	
Increase in superannuation rate from 19.9% to 21.0%	7	
1.0 FTE post transferred to Environment	-76	
Training (transferred to LMA & Parks)	-4	-41
Supplies & Services Costs		
Marketing (cash saving)	-3	
Photocopying	-1	-4
Transport Costs		
Car Allowances (transferred to ESU support)	-2	-2
		-47
<u>ADDITIONAL EXPENDITURE</u>		
Support - removal of charges within Business Support BU	-112	
Support Charges - other decreases	-96	
Insurance	-33	
Capital Charges - removal of notional interest	-10	
Computer SLA	-5	-256
Decrease in Recharges to Services		<u><u>-303</u></u>