



SCRUTINY MANAGEMENT COMMISSION 24 January 2006

Report of the Corporate Director, Corporate and Adult Social Services
and Deputy Chief Executive

The Council's 2006/07 – 2008/09 Draft Revenue Budget

RECOMMENDATION

- 1.1 That the members consider those aspects of the Council's draft 2006/07 – 2008/09 Revenue Budget that fall within the remit of the Commission.
- 1.2 That where appropriate the Commission offers recommendations on the proposals contained in the draft budget that fall within the remit of the Commission.
- 1.3 That members identify any aspects of the budget which they would like to track and scrutinise at subsequent meetings by the use of Performance Eye.

SUPPORTING INFORMATION

- 2.1 The Council's draft Revenue Budget was issued to Overview and Scrutiny Commission members at the briefing meeting on 9 January 2006.
- 2.2 All the Commissions will have an opportunity for detailed consideration of the draft Revenue Budget at their business meetings in January 2006.
- 2.3 It is suggested that where appropriate that each of the Commissions makes recommendations on the proposals contained in the draft budget that fall within the remit of that Commission.
- 2.4 The Performance Eye performance monitoring facility gives the Overview and Scrutiny Commissions the means of monitoring the effects and outcomes of the funding for Council services agreed through the budget process. In most cases a full year's Performance Eye data is available and Commissions may if they wish identify particular service areas within their remit and use Performance Eye at subsequent meetings to track progress and examine the performance and the outcome of the budget allocation within those areas.

- 2.5 A summary of the information from the draft Revenue Budget that relates to the Scrutiny Management Commission is contained within Appendix 2 of this report.
- 2.6 A list of the areas falling within the Commission's portfolio is contained in Appendix 3 of this report.

For more information contact:	David Romaine 01332 255598 e-mail david.romaine@derby.gov.uk
Background papers:	Appendix 1 – Implications
List of appendices:	Appendix 2 – Summary of the Budget Proposals relating to the Scrutiny Management Commission
	Appendix 3 – Scrutiny Management Commission portfolio

Appendix 1

IMPLICATIONS

Financial

1. None arising from directly this report.

Legal

2. None arising from this report.

Personnel

- 3 None arising from this report.

Equalities impact

4. Recommendations concerning the Council's Revenue budget have the potential to be of benefit to all Derby people.

Corporate objectives and priorities for change

5. The Council's Revenue Budget relates to all the Corporate Objectives and Priorities for Change.

Summary of the Budget Proposals relating to the Scrutiny Management Commission

Under the departmental structure that existed at the commencement of the budget process, the Scrutiny Management Commission's portfolio covered services provided by the following departments and directorates:

- Chief Executive's Department
 - Policy Directorate
 - Personnel and Equalities
 - Community Policy
 - Corporate Communications
 - Corporate Services Directorate
 - Democratic Services
 - Legal
 - Property Services
 - Finance Directorate
 - Corporate Finance
 - Corporate Policy aspects of Revenues and Benefits
 - Financial Services
 - ICT and Performance
 - Other Corporate Budgets
 - Treasury Management

For the sake of clarity these headings have been used throughout this report, however, under the new departmental structure these services will be delivered by the Resources Directorate and the Corporate and Adult Social Services Directorate.

To provide information about the budget arrangements the following Cabinet Members and Chief Officers will be attending the meeting at which the Commission will consider the draft Revenue Budget.

Cabinet Members

Councillor D Roberts – Cabinet member for Personnel, Performance
Management and Economic Development

Chief Officers

Michael Foote - Corporate Director, Corporate and Adult Social Services and
Deputy Chief Executive

Paul Dransfield – Corporate Director, Resources

Policy Directorate

Service Planning Issues		Page
Over the next three years the key planning issues affecting the policy Directorate are:		39
<ul style="list-style-type: none"> • Meeting the challenge of Building for Excellence on: <ul style="list-style-type: none"> ○ Leadership and management development ○ Health and attendance ○ Communications • National Joint Council (NJC) Pay Review and single status • Workforce planning • Achieving Level 3 of the Equality Standards • Improving communications and embedding consultation 		
Revenue Budget Proposals		
Personnel – The major personnel project is the NJC pay review and single status. The target completion date is April 2007. Key stages are: <ul style="list-style-type: none"> • Completing job evaluation interviews and assessments • Designing and costing a new pay structure • Negotiation on pay-related conditions of service • Harmonisation of conditions of service • Undertaking and equality impact assessment • Implementing the new structures This is potentially a budget issue for future years		40
Community Policy – The Community Strategy is a key document for the Council. It links to the 2005/06 – 2007/08 Corporate Plan and will be linked to the Local Area Agreement. The Derby City Partnership (DCP) team works closely with the Community Policy team. The DCP team is funded by contributions from the DCP Board. In 2006/07 the Council is not asked to increase its contribution by 3% as it contributed an additional £10,000 per year towards the increased premises costs.		40 41
Communications – Good communications are a key to the Council's effectiveness and proposals are being developed to improve the Council's communication and consultation with the public.		40
Savings and Efficiencies		
Savings and efficiencies to meet the pressures within the cash limit include:		43
<ul style="list-style-type: none"> • Reviewing and non-filling of vacant posts • Reduction in supplies and services budgets 		
Schedule of Revenue Budget Proposals		
Personnel and Equalities	Amount	Page
Savings previously planned		
• Reduction in learn to work subsidy	£48k	50
New proposals for savings		
• General supplies and services	£1k	
Pressures and developments previously planned		
• Loss of income - Derby Homes	£42k	

New developments • Income from Derwent Community Team		£30k	
Community Policy Pressures and developments previously planned • Increments • Corporate Communications – potential loss of income – Derby Homes		£5k £12k	45
DCP New proposals for savings • Reduction to Council contribution		£2k	46
Directorate Management New proposals for savings • Non filling of vacant post		£12k	48
Policy Department Proposed Revenue Budget			
2005/06		2006/07	
£1,311k	Personnel and Equalities	£1,243k	
£185k	Corporate Communications	£199k	
£87k	DCP	£88k	
£268k	Directorate Management	£143k	
£1,851k	Total	£1,673k	

Corporate Services Directorate

Service Planning Issues	Page
<p>The developments and challenges facing Corporate Services over the next three years include:</p> <ul style="list-style-type: none"> • A repair and maintenance backlog for Council properties of around £100m and the need to come up with strategies to make sure that the situation does not deteriorate in the current financial position • Developing and pursuing the Council's accommodation strategy • Endeavouring to sustain rental growth from the Council's property portfolio • Developing the Council's decision making processes and facilities in line with e-government aspirations • Meeting Building on Excellence procurement requirements • Undertaking fundamental changes to the electoral registration and electoral processes as required by the legislation 	54
Revenue Budget Proposals	
<p>Key issues</p> <ul style="list-style-type: none"> • Corporate Services has attempted to maintain current service costs in order to try and contain some major service pressures facing the Directorate over the next three years. This has affected the Directorate's ability to improve its current services • The main emphasis of the budget process has been to address the increased pressures of running the Council's administrative buildings, both those owned by the authority and those leased • Corporate Services has also faced significant pressures relating to the repair and maintenance of buildings – due to poor condition of some of the property portfolio combined with legislative directives. 	56

<p>Proposed Changes within Cash Limit</p> <p>Service Transfers</p> <ul style="list-style-type: none"> £85k funded by the Government through the Revenue support grant has been included to reflect the costs of the new electoral administration following legislative changes <p>Base Budget adjustments</p> <ul style="list-style-type: none"> The base has been reduced by £621k to reflect the removal of one-off reserves supporting the 2005/06 budget: <ul style="list-style-type: none"> £500k corporate reserves supporting repairs and maintenance £65k public priority funding £56k modernisation funding 	56
<p>Savings Proposed</p> <p>GERSHON savings</p> <ul style="list-style-type: none"> Reduction in costs of telephone bundle charges - £16k Anticipated savings from employing building surveyors rather than using agencies - £55k Energy efficiency savings - £3k Increased income: <ul style="list-style-type: none"> Estates rentals - £58k Car boot/street trading - £26k Contract savings on building cleaning - £10k <p>Other savings</p> <ul style="list-style-type: none"> Freezing of 4 FTE posts - £85k Increase in Register Office fees - £28k Increase in legal fees to client departments - £16k Opportunities for savings in premises expenses from the temporary closure of the bus station - £64k Reduction in the Overview and Scrutiny research budget - £24k Reduction in the Repair and Maintenance budget to fund new pressure areas within the budget - £270k 	57
<p>Pressures and developments</p> <ul style="list-style-type: none"> Increment payments Likely fall in Land Charges income Loss in reprographics income A reduction in standard income inflation assumptions for markets and estates - £68k Creation of a rolling programme of Fire Risk Assessment - £200k Dealing with Energy Efficiency Directive – £20k and Buildings at Risk - £50k Use of £0.5m of corporate resources to support Repairs and Maintenance programme 	57/58
<p>Developments included and met within cash limit include:</p> <ul style="list-style-type: none"> Meeting new statutory obligations for elections - £85k Development of web casting for Council meetings Creation of two new Estates posts - £45k and additional Building Surveyor post - £30k 	58

Schedule of Revenue Budget Proposals			
Democratic Services Unit		Amount	Page
New GERSHON efficiency savings		£16k	60
<ul style="list-style-type: none"> Telecomms – reduction in bundle costs 			
New proposals for other budget savings			
<ul style="list-style-type: none"> Elections postages 		£9k	
<ul style="list-style-type: none"> Halving of Overview and Scrutiny Research Budget 		£24k	
<ul style="list-style-type: none"> Deletion of Mayor's secretary post 		£8k	
<ul style="list-style-type: none"> Increase in civil fees 		£2k	
<ul style="list-style-type: none"> Reduce Twinning grants budget 		£4k	
<ul style="list-style-type: none"> Review of Register Office fees 		£28k	
<ul style="list-style-type: none"> Land Charges – reduction in IT budget and freeze vacancy 		£10k	
<ul style="list-style-type: none"> Other equipment budget savings 		£10k	
<ul style="list-style-type: none"> Reallocation of contingency budget 		£43k	
Legal Service Unit			
New proposals for other budget savings			61
<ul style="list-style-type: none"> Freeze vacant Legal Clerk post 		£17k	
<ul style="list-style-type: none"> Increase fees to client departments 		£16k	
Property Service Unit			
Savings previously planned			62
<ul style="list-style-type: none"> Full year effect of markets rent reviews 		£26k	
New GERSHON efficiency savings			
<ul style="list-style-type: none"> Employing building inspection staff instead of using consultancy 		£55k	
<ul style="list-style-type: none"> Car boot sale fee increase 		£15k	
<ul style="list-style-type: none"> Street trading fee increase 		£11k	
<ul style="list-style-type: none"> Building cleaning savings 		£10k	
<ul style="list-style-type: none"> Increased Estates rental income 		£58k	
<ul style="list-style-type: none"> Energy Efficiency savings 		£3k	
New proposals for other budget savings			
<ul style="list-style-type: none"> Premises savings from bus station closure 		£64k	
<ul style="list-style-type: none"> Markets – increased occupancy 		£7k	
<ul style="list-style-type: none"> Delete lighting/decoration budget for markets 		£24k	
Repair and Maintenance Service			
New proposals for other budget savings			64
<ul style="list-style-type: none"> Reduction to maintenance programme to fund pressures 		£270k	
Corporate Services Department Proposed Revenue Budget			65
2005/06		2006/07	
£1,576k	Democratic Services	£1,735	
£979k	Legal	£992k	
£5,279k	Property Services	£5,526k	
£7,834	Total	£8,289	

Finance Directorate

Service Planning Issues	Page
<p>Over the next three years the key planning issues affecting the Finance Directorate are:</p> <ul style="list-style-type: none"> • Meeting aspirations for e-government locally and nationally • Continuing to improve the revenues and benefits service • Meeting the challenge of building for excellence through improved customer service and ICT provision • Responding further to the drive for efficiency and low council taxes • The need to replace the Council's financial system and expiry of the existing revenues and benefits system contract 	68
Revenue Budget Proposals	
<p>Key Issues</p> <ul style="list-style-type: none"> • To start to harness new and improved ICT to deliver more efficient support services and reduce or contain costs • Improved efficiency and modernisation of Revenues and Benefits service • Investment in Building on Excellence and the ICT strategy • Investment needed in customer service. Much of this is possible under spend to save concept where call centre technology and new business processes can bring about change at a longer term reduced cost. However this may have cost implications for extended hours etc. 	69
<p>Base Budget adjustments</p> <p>The base budget has been increased by £38k as a result of transfers of miscellaneous corporate budgets to the Finance Directorate</p>	70
<p>Savings already approved</p> <p>The base budget has been reduced by £86k as approved by Cabinet in 2005/06:</p> <ul style="list-style-type: none"> • Corporate Finance £35k • Financial Services £12k • Revenues and Benefits £39k 	70
<p>Savings and Efficiencies</p> <p>Proposed GERSHON efficiency savings</p> <ul style="list-style-type: none"> • Anticipated savings from new Revenues and Benefits system - £6k • Increased income from HCI scheme - £4k • Foundation schools internal audit - £3k • Supplies and services budgets - £6k <p>Other savings proposals</p> <ul style="list-style-type: none"> • Deletion of annual risk management budget - £20k • Reduction of internal audit training budgets - £9k • Minor staffing savings within accountancy - £9k • Savings in systems software and supplies and services budgets in Financial Services - £35k • Deletion of vacant Business Improvement Advisor post in Strategic Planning and Performance - £33k 	70/71

<ul style="list-style-type: none"> • Savings in ICT budgets, including increased recharging of departments - £50k • Incremental growth savings within Revenues and Benefits - £13k • Reductions in publicity budget - £5k 		
Pressures and Developments Key pressures and developments met within the cash limit include: <ul style="list-style-type: none"> • Increment payments • The continuation of a Project Support post when funding ceases • The ongoing costs of the corporate restructure 		
Corporate Finance Service Unit	Amount	Page
New GERSHON efficiency savings <ul style="list-style-type: none"> • Reduce supplies budget across service area • Increase in foundation schools internal audit income New proposals for other budget saving <ul style="list-style-type: none"> • Minor staffing restructure in accountancy • Not covering maternity absence in Technical Finance New pressures met within cash limit <ul style="list-style-type: none"> • Contractual increments New developments met within cash limit <ul style="list-style-type: none"> • Cost of corporate restructure 	£6k £3k £5k £4k £35k	73
Financial Services Unit	Amount	Page
New proposals for other budget savings <ul style="list-style-type: none"> • Savings in supplies and services budgets • System software savings New pressures met within cash limit <ul style="list-style-type: none"> • Contractual increments 	£23k £12k £29k	74
ICT and Performance Unit	Amount	Page
New GERSHON efficiency savings <ul style="list-style-type: none"> • Increase in HCI net income New Proposals for other budget savings <ul style="list-style-type: none"> • Delete Business Improvement Advisor Post • Savings in Building on Excellence budget to fund project support post • Delete libraries support budget • Reduce central funding of development/assignment days • Reductions in IT client side costs New pressures met within cash limit <ul style="list-style-type: none"> • Contractual increments New developments met within the cash limit <ul style="list-style-type: none"> • Continue project Support post when one off funding ceases 	£4k £33k £29k £10k £20k £20k £15k £29k	75
Revenues and Benefits Service	Amount	Page
New GERSHON efficiency savings <ul style="list-style-type: none"> • Reduction in PFI contract costs New proposals for other budget savings <ul style="list-style-type: none"> • Reduction in publicity budget • Incremental growth savings 	£6k £5k £13k	76

Finance Department Proposed Revenue Budget			Page
2005/06		2006/07	77
£1,649k	Corporate Finance	£1,693k	
£758k	Financial Services	£750k	
£2,941	ICT and Performance	£2,919	
£2,063	Revenues and Benefits	£2,023	

Corporate Budgets - Other

These budgets cover the following services (page 79):

- Registration and Conduct of Elections
- Members Allowances and Mayoral Expenses
- Coroner's Court
- Corporate Management and Chief Executive
- Environment Agency Levies
- Residual Pension costs
- Corporate Insurances
- External Audit fees
- Miscellaneous finance – car leasing and bank charges
- Net cost of benefit payments
- Concessionary fares
- Emergency Planning

The 2005/06 budget for these services was £6.8m

Key Issues	Page
The key change is the additional funding from government to provide free off peak concessionary fares for over 60's and disabled people	81
Analysis of proposed changes	
<p>Service transfers have been made for:</p> <ul style="list-style-type: none"> • The need to reflect services recharges to the schools budget as controllable income - £1,554k in 2006/07 • The cost of free off peak concessionary fares for over 60's and disabled people - £1,788k <p>Adjustments to base The base has been reduced by £176k to reflect transfers to the Finance Directorate of £38k and to the corporate funding of the Children's Services Project Team - £138k</p> <p>Savings already planned In relation to pension pressures - £4k in 2006/07</p> <p>Other budget savings</p> <ul style="list-style-type: none"> • There is a specific proposal to reduce the Corporate Contingency Budget to balance to the cash limit - £233k • A saving has also been identified as part of the Corporate review of agency and recruitment - £100k 	81/82

Pressures to be met within the cash limit <ul style="list-style-type: none"> The major pressure is the reduction of the Trading Services rebate by £172k to £250k New developments met within cash limit <ul style="list-style-type: none"> £18k has been identified in the 2006/07 budget to support the costs of Corporate Restructure. 			
Schedule of Revenue Budget Proposals			
Savings planned in previous indicative budget <ul style="list-style-type: none"> Reduced pensions pressures New proposals for other budget savings <ul style="list-style-type: none"> Reduce Corporate Contingency fund to balance Outcome of Corporate Reviews – Agency and Recruitment New pressures met within cash limit <ul style="list-style-type: none"> Reduction in Trading Services Rebate New Developments met within cash limit <ul style="list-style-type: none"> Cost of corporate restructure 	Amount £4k £233k £100k £172k £18k	Page 84	
Other Corporate Budgets Proposed Revenue Budget			Page
2005/06		2006/07	85
£6,233	Total Corporate Budgets	£8,107	

Treasury Management

The Treasury Management budget funds the cost of the Council's external long term borrowing to fund the capital programme and receives income earned on the investment of the cash balances such as those available from reserves (Page 87).

Service Planning Issues	Page
The budget supports the financing of the entire capital programme	88
Service objectives and performance levels	
The key performance measure is the performance of investments and borrowing against market levels	88
Key Issues	
<ul style="list-style-type: none"> The capital programme funded by borrowing stands at a higher level than in previous decades so the extra costs of financing that borrowing are greater than the savings from the repayment of old borrowing Some grants and adjustments that reduce the cost of borrowing are coming to the end of their life The Treasury management budget over a number of years has been set based on very prudent assumptions that have tended to deliver year end underspending The budget for 2006/07 is being based on much tighter assumptions. This in part explains why the budget has been able to deliver £815k of savings in 2006/07 compared with the indicative budget for 2006/07 planned in March 2005. The proposed budget is realistic but will not have the capacity to deliver further major savings in future unless the Council scales 	89

<p>back its capital programme or determines not to spend previously earmarked reserves</p> <ul style="list-style-type: none"> • The ability of the new Revenue Support Grant (RSG) to fund supported borrowing has from 2006/7 been compromised by the scaling back of the margin above the national 2% grant floor • Should there be any further Government approvals for new borrowing, beyond those allowed for in this budget, the Council cannot rely on their being additional RSG grant allocations that would fund the additional costs 	
Budget Summary	
<p>Service Transfers</p> <ul style="list-style-type: none"> • The budget has been increased by £931k in 2006/07 and £244k in 2007/08 by budget transfers from other departments • The £274k income budget from the defective dwellings grant has been vired from the Policy Directorate 	90
<p>Base Budget adjustments</p> <ul style="list-style-type: none"> • The defective dwellings grant was double counted in the 2005/06 Treasury Management and Policy budgets. This pressure needs to be recognised by a 2006/07 base adjustment. 	
<p>Savings already approved</p> <ul style="list-style-type: none"> • The expected savings of £250k in the Treasury management budget had been taken into account in the Cabinet;s 27 September budget report but as they were not referred to explicitly are shown as new savings in the budget summaries 	
<p>Savings and Efficiencies</p> <ul style="list-style-type: none"> • Ongoing savings of £285k have been secured due to reorganisation of the pre-reorganisation debt costs shared between the City and County Councils • Good investment returns in 2006/7 will generate a saving of £100k for this year only • The estimated size of the Council's cash holdings has been revised upwards. This accounts for most of the saving in higher investment income levels or £435k in 2006/7 • There are further savings associated with: <ul style="list-style-type: none"> ○ The end of the Revenues and Benefits PFI contract - £348k by 2007/08 ○ Revisions to the cost of financing the capital programme – borrowing costs for 2006/07 have been secured at historically low levels ○ Ending of the cost of debt incurred at local government reorganisation 	91
<p>Pressures and Developments</p> <p>The net increase in costs previously planned for in the 2005 budget was £1,109k in 2006/07 and £1,314k in 2007/08. It consisted of;</p> <ul style="list-style-type: none"> ○ The end of planned one-off savings from exceptional investment performance in 2005/06 ○ Costs of new borrowing ○ The rate of repayment of old borrowing which is increasing due to the phasing out of the commutation adjustment. 	

The phasing out of the defective dwellings grant will add £274k to costs by 2008/09		
Schedule of Revenue Budget Proposals	Amount	Page
New Proposals for GERSHON Efficiency Savings		94
• Renegotiation on interest on pre reorganisation debt	£258k	
• Investment performance in excess of market benchmarks	£100k	
New proposals for other budget savings		
• Revised investment income	£435k	
• Revenues and Benefits PFI contract end	£200k	
• Reduced estimate of borrowing costs	£200k	
Pressures and developments previously planned		
• Loss of one off efficiency savings	£105k	
• Corporate unsupported borrowing	£180k	
• Changes in costs of borrowing	£645k	
• Increase in costs due to removal of commutation	£179k	
New pressures met within cash limit		
• Payment of interest to maintain value of S106 balances	£104	

Scrutiny Management Commission Portfolio

Corporate Council policies and strategies
Corporate Legal, Administrative,
Estates/Property Services and Repair and Maintenance
Chief Executive's
Policy, European, Best Value and Communications functions
Corporate Finance and Financial Services including Taxation
External Affairs –
European, National, Regional and Local Democratic Representation
Mayoral Office/Electoral Issues/Registrars
Concessionary Fares
Best Value Performance Plan and Derby Pointer
Members Services/Allowances
Corporate Personnel, Recruitment and Training functions and issues
Employment training
Health and Safety
Corporate Equality Functions and Issues
E-Government, IT services/development and telecommunications
Repair and Maintenance Programmes
Design Services
Emergency Planning

DRR 17 January 2005