

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 14 December 2006
AUTHORS: Chief Executive/Principal Accountant (General Fund and Costing)

CAPITAL AND REVENUE ESTIMATES FOR THE STAFFING AND CENTRAL OVERHEAD ACCOUNTS

Purpose

1. To approve the Capital Programme up to the year 2009-10 and the Revenue Estimates up to 2007-08 for the Staffing and Central Overhead Accounts.

Executive Summary

2. These estimates form only the first part of the estimate process. All the savings and additional spending approvals relevant to the staffing and central overhead accounts have been incorporated and all areas reviewed in detail.
3. A summary of the revenue estimates for Staffing and Central Overhead Accounts is shown at **Appendix A** and the recharges to services at **Appendix B**.
4. The net estimated expenditure in 2007-08 for this area of the accounts is £16.412m, which is £0.448m (2.7%) less than the original estimate for 2006-07. The 2006-07 revised figure of £15.962m is £0.898m (5.3%) less than the original estimate. The recharges to portfolio services will reflect these decreases. However, there has been a change in accounting requirements that has resulted in a large reduction in capital charges within these estimates, but they have no effect on council tax, because the figures are reversed out on the final General Fund Summary.
5. The capital charges are £0.772m lower in the Revised 2006-07 and £0.718m lower in the Original 2007-08 estimates. This results in a significant difference compared with the headline cost comparisons. The net estimated expenditure excluding capital charges in 2007-08 is £15.533m, which is £0.270m (1.8%) more than the original estimate for 2006-07. The 2006-07 revised figure of £15.138m is £0.125m (0.8%) less than the original estimate.
6. The Capital Programme relating to the Staffing and Central Overhead Accounts is submitted for approval at **Appendix C**. The only capital expenditure relevant to these accounts relates to the new Cambourne Offices and ICT Development (including the Contact Centre).
7. Cabinet is recommended to:
 - (a) Confirm the inflation figure of 2½% both for general expenditure and pay awards, on which all the estimates are being prepared (paragraph 16).
 - (b) Approve the revenue estimates and recharges as presented and shown at **Appendix A and Appendix B**.
 - (c) Approve the capital programme as shown at **Appendix C**.

Background

8. The draft estimates for all the services of the Council will be presented to the relevant Portfolio Holders in January, for consideration and endorsement, and will then be examined by a scrutiny panel consisting of the Leader, Chairman and Vice Chairman

of Scrutiny and Overview Committee and the Resources, Staffing, Information and Customer Services Portfolio Holder. The estimates will include the savings and additional expenditure proposals that were agreed by Council in the Medium Term Financial Strategy on 23 November 2006. It is intended that those estimates will be brought together and presented to the Cabinet on 8 February 2007. The final approval of the estimates and the levels of Council Tax and Rents will be decided by the Council on 22 February 2007.

9. Before the above process can proceed, the estimates relating to the Staffing and Central Overhead Accounts need to be determined by the Cabinet, so that they may be fully recharged to all the services of the Council
10. The estimates presented today concern the Staffing and Central Overhead Accounts only. The staffing costs have been categorised according to Portfolio, by assigning each current staffing cost centre to one portfolio only. The Wardens' and DLO/DSO operatives' costs continue to be excluded, as they are charged directly to their services.
11. The Revenue Estimates are shown in summary at **Appendix A** and in detail in a pack accompanying the agenda. **Appendix B** summarises the recharges to each portfolio and the Housing Revenue Account, whilst the relevant Capital Estimates are shown at **Appendix C**.
12. These estimates incorporate all decisions made by the Cabinet up to and including the previous meeting. In particular, they include the staffing and central overhead cost implications of the approved savings and additional expenditure proposals agreed by Council in October and November. Any further approved changes could be subsequently added to these estimates, but the costs or reductions in 2007-08 would remain unallocated to services until the Revised Estimates are completed in December 2007.
13. The detailed estimates reflect the new corporate manager structure, in that recharges are now analysed in terms of the new services with effect from the revised estimates 2006-07 onwards, rather than in the old department structure. The staffing estimates in the separate estimates pack have also been analysed in the new structure with full comparative figures.
14. The general provision agreed by Council in respect of the 2nd tier review, has been included as a lump sum in the portfolio costs, but this has not been allocated across services at this stage. The detailed estimates reflect the current 2nd tier posts only.
15. Further savings may arise from future reviews by the Transformation Team. These estimates take no account of these, but an overall provision will be included in the Corporate Management estimates.

Considerations

INFLATION AND PAY AWARDS

16. In 2006-07, the pay award and provision for inflation were both 2½%. Similarly, in 2007-08, a provision of 2½% has been applied to cover both the annual pay award and inflation on expenditure generally. Further provision is made for increases in local government pension costs (see paragraph 24 below).

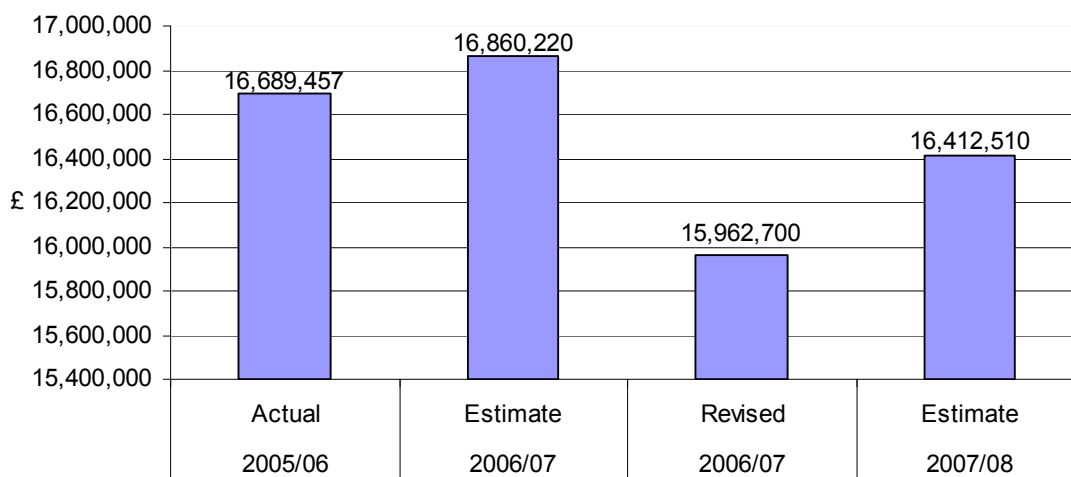
REVENUE ESTIMATES: REVISED 2006-07 AND ESTIMATES 2007-08

17. A summary of the revenue estimates for Staffing and Central Overhead Accounts is shown at **Appendix A**.

NET RECHARGEABLE COSTS (including unallocated)

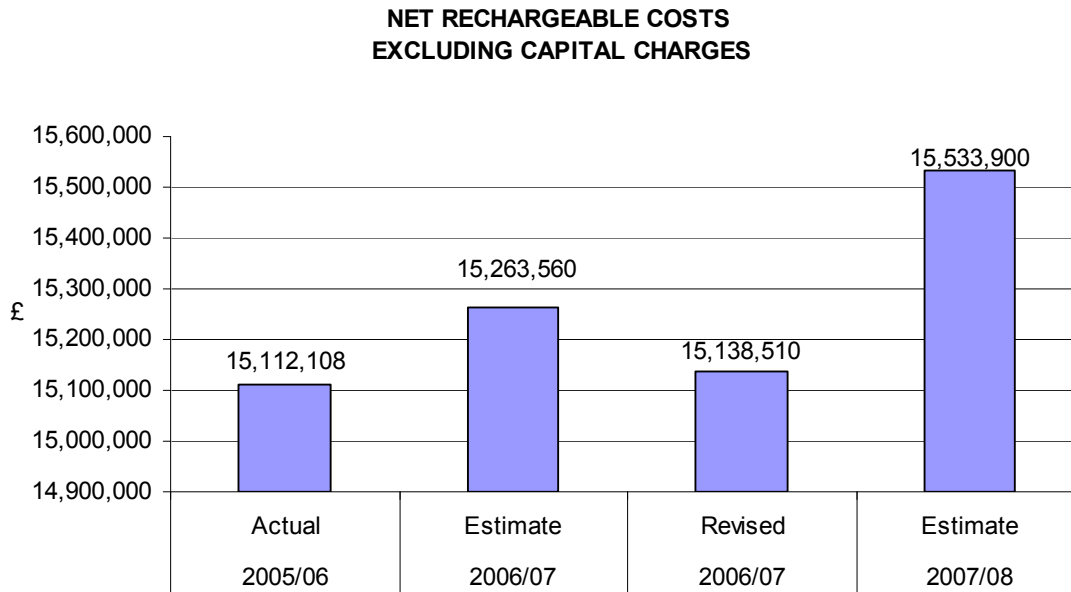
18. All costs of the staffing and central overheads are recharged both between these accounts and to all the services of the Council.
19. The rechargeable expenditure has a significant impact on the total revenue expenditure of each service. The net estimated expenditure in 2007-08 is £16.412m, which is £0.448m (2.7%) less than the original estimate for 2006-07 and £0.277 (1.7%) less than the actual expenditure in 2005-06. The 2006-07 revised figure of £15.962m is £0.898m (5.3%) less than the original estimate and £0.727m (4.4%) less than the 2005-06 actual expenditure. These comparisons are shown diagrammatically below:

NET RECHARGEABLE COSTS



20. The above figures have been significantly affected by a recent change in local authority accounting practice that has been applied to the current estimates. This brings local authority accounting more into line with commercial practice with regard to capital charges. Previously, as well as charging depreciation on assets, a 'notional interest' charge was made. The requirement to make a notional interest charge has now been removed, resulting in substantial reductions in the capital charges, particularly in respect of the Cambourne Office. However, this does NOT affect the total costs of the Council or the level of council tax. Although capital charges must be included in recharges to services, they are reversed out on the General Fund summary.
21. The net rechargeable costs have been analysed on Appendix A, as a memorandum note, to show the costs excluding capital charges. Compared with the original estimates, the capital charges are £0.772m lower in the Revised 2006-07 and £0.718m lower in the Original 2007-08 estimates. This results in a significant difference compared with the headline cost comparisons. The net estimated expenditure excluding capital charges in 2007-08 is £15.533m, which is £0.270m

(1.8%) more than the original estimate for 2006-07 and £0.421 (2.8%) more than the actual expenditure in 2005-06. The 2006-07 revised figure of £15.138m is £0.125m (0.8%) less than the original estimate and £0.026m (0.2%) more than the 2005-06 actual expenditure. These comparisons are shown diagrammatically below:



22. The Net Rechargeable Costs are made up of Staffing Costs, which are referred to in paragraphs 23 to 37, and Central Overheads, which are dealt with in paragraphs 38 to 41.

STAFFING COSTS (including all ICT capital charges and other costs)

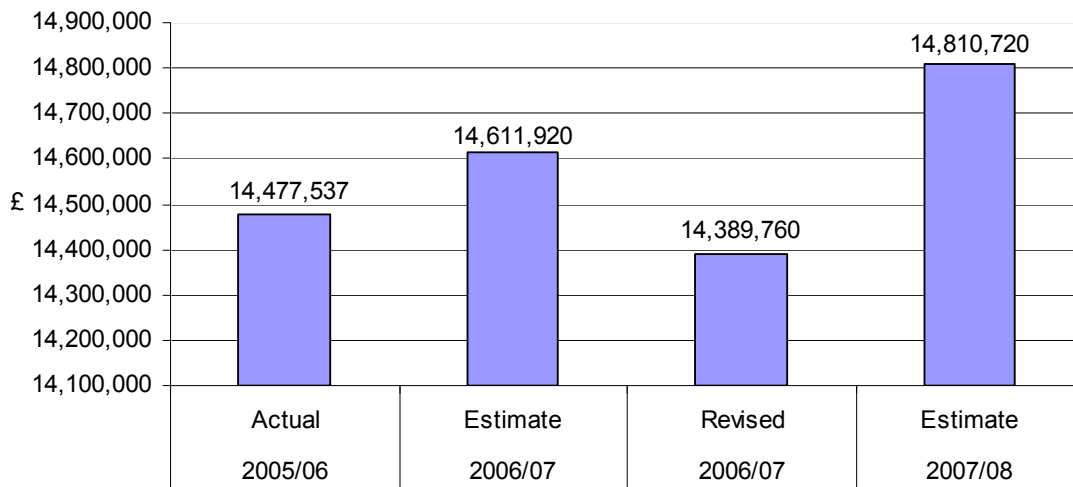
23. Provision was made in the 2006-07 original estimates for a local pay award from April 2006 of 2.5% for all staff. The revised estimates include the actual award of 2.5% and the estimates for 2007-08 continue to provide for a pay award of 2.5%.
24. Provision has also been made for a further increase of 2.1% in the employer's pension contribution rate, from 13.3% to 15.4%, with effect from April 2007. After taking this and the estimated 2.5% pay award increase into account, the estimated increased cost to the Council in 2006-07 of each employee at a given pay scale is therefore around 4.6%, before any increase due to incremental progression is taken into account. However, the majority of staff will still receive an increment in 2007-08, mainly as a result of the extended pay ranges introduced in the PricewaterhouseCoopers pay review. In these cases, the cost of the increment is on average another 3.4%, making an increase of 8% in total on those employees. The net effect of the resultant upward incremental drift on the current estimates is considered to be close to the provision of £190,000 that was included in the Medium Term Financial Strategy for 2007-08. This leads to an average increase in salary cost of 6.2% in 2007-08.
25. The net estimated staffing expenditure in 2007-08 is £14.810m, which is £0.199m (1.4%) more than the original estimate for 2006-07 and £0.333m (2.3%) more than the 2005-06 actual expenditure. The 2006-07 revised figure of £14.389m is £0.222m (1.5%) less than the original estimate and £0.088m (0.6%) less than the 2005-06 actual expenditure.

26. The staffing costs have been analysed by portfolio to reflect the areas of responsibility of each Portfolio Holder. Individual Portfolio Holders will have been given an analysis of their staffing costs, by cost centre. Complete sets of this documentation are held by the Leader and the Resources, Staffing, Information and Customer Services Portfolio Holder and can be made available to other Members on request.
27. The following table shows a comparison by portfolio of the original Estimate 2006-07 with both the Revised Estimate 2006-07 and the Estimate 2007-08:

<u>Staffing Costs by Portfolio</u>	Estimate 2006-07 £	Revised 2006-07 v Est.06-07 £	Estimate 2007-08 v Est.06-07 £
Resources, Staffing, Information and Customer Services	6,607,250	- 182,640	+77,840 (1.2%)
Environmental Health	1,904,420	- 50,090	+107,240 (5.6%)
Housing	2,409,780	- 86,450	- 5,100 (-0.2%)
Planning and Econ. Development	2,584,320	+ 71,220	+ 95,270 (3.7%)
Conservation, Sustainability and Community Planning	445,450	- 39,430	+ 56,810 (12%)
Community Development	660,700	+ 230	+ 33,740 (5.1%)
Unallocated expenditure	0	+ 65,000	- 167,000
TOTAL	14,611,920	- 222,160	+198,800 (1.4%)
Overall Total Figures	14,611,920	14,389,760	14,810,720

28. The overall staffing figures are shown diagrammatically below:

STAFFING COSTS



29. The staffing costs (including all ICT costs) may also be analysed by officer structure, to reflect the responsibilities of the new Corporate Manager service divisions. These figures are included as Memorandum Accounts at the back of the estimates pack accompanying the agenda. All figures, including the comparative figures, reflect the proposed new structure
30. Comments on the figures for each portfolio are set out in paragraphs 31 to 37. Note that with reference to the progressive increases in payroll costs in paragraph 24 (up to 8%) and the inflation allowance on other costs (2.5%), the expected overall increase on the staffing accounts in 2007-08 before any savings would be around 5½%.
31. Resources, Staffing, Information and Customer Services:
- (a) The estimated reduction of capital charges (see paragraph 20) on ICT amounts to £207K in 2006-07 and £152K in 2007-08. Without these reductions the figures compared with the original estimate are +£25,120 for the revised 2006-07 and +£230,120 for the estimate 2007-08.
 - (b) From the revised estimate onwards, verification framework (government) grant of £72K has been transferred to the Benefits service account, thus causing an increase in net expenditure in these estimates which will be compensated by a decrease within the Benefits Holding Account.
 - (c) In the current year, the reduction in the budget for the former Chief Executive and other savings are partly offset by the inclusion of the Transformation Team and a Rent Assistant and also the extension of the Procurement Officer and ICT posts.
 - (d) In 2007-08 there are anticipated savings of almost £200K, primarily in the area of ICT. Additional expenditure arises from inflation, new part time Revenues, Human Resources and Accountancy staff, a Section 106 solicitor, the extension of the Procurement Officer and Web Officer (permanent).

32. Environmental Health:
- (a) The estimated reduction in 2006-07 of £50K is due to various vacancies.
 - (b) The increase in 2007-08 of £107K is around the overall level of expected pay and price inflation. There is provision for an additional Environmental Health Officer, offset by the deletion of the Dog Warden post and a fixed term post.
33. Housing:
- (a) Two Housing ICT support posts have moved from Housing to the ICT Division. This is the main reason for the reductions in 2006-07 and 2007-8.
 - (b) There is a saving in 2007-08 in the Housing Development Division arising from the deletion of two previously partly funded posts.
34. Planning and Economic Development:
- (a) The increase of £71K in 2006-07 is largely due to the one-off costs of data capture, which is being carried out prior to the introduction of the National Land and Information System (NLIS), and the temporary employment of Local Development Framework staff. These sums, totalling £110K, have been found from rollover, a cash limit resolution in April 2006 and virement.
 - (b) In 2007-08 the new post of Growth Areas Corporate Project Manager has been added and the Corporate Projects Officer post made permanent. There is a saving of one Land Charges post, in anticipation of the NLIS, and one Building Control fixed term post is funded to 31st March 2007 only. There are other fixed term posts that are due to end during this period, but as these are funded from Planning Delivery Grant, there will be no overall saving.
35. Conservation, Sustainability and Community Planning:
- (a) The decrease of £39K in 2006-07 is due to the vacancies of the Historic Buildings Officer, Trees and Landscape Officer and Assistant, and the Strategic Development Officer.
 - (b) In 2007-08 the new post of Urban Designer has been included and various savings of around £12K have been applied to the Conservation and Design estimates.
36. Community Development:
- (a) In 2006-07, any savings have been offset by the costs of maternity cover, long-term sickness cover and the absence of income for work done by travellers officers for other authorities.
 - (b) Similarly in 2007-08, the proposed staffing saving is mostly offset by reduced income due to the discontinued secondment of the Community Development Manager and a lower level of work estimated as rechargeable to other authorities by travellers officers.
37. Unallocated:
- In 2007-08, several items have been included as an overall lump sum, because the detail is not known. They are not recharged to services at this stage. The items consist of the 2% for vacancies and training overall savings and also the provisions for the 2nd tier restructuring.

CENTRAL OVERHEADS

38. Cambourne Office:
- (a) The substantial overall reduction is mainly due to the change in accounting for capital charges (see paragraph 20). Excluding the capital charges, there is a reduction of £77K in 2006-07 and £76K in 2007-08 compared with the original estimate. The majority of this is due to lower business rates for the building. In addition there are reductions on staff travel payments, telephone maintenance and recharges from staff.

- (b) The quarterly monitoring report to Cabinet in October 2006 indicated that certain energy bills had not materialised. However, as there is still a significant risk that the Council will be billed retrospectively, the provision for the cost of these has been maintained for the period of these estimates. There is therefore no reduction at this stage, but there could be a one-off saving at some point in the future.
39. Cambridge Office:
The Cambridge Office was closed at the end of July 2006. There is no further expenditure after that time.
40. Central Expenses:
- (a) The reduction of £37K in 2006-07 is mainly due to lower costs of employee related insurance, health and safety and recharges from staff.
 - (b) In 2007-8, provision of £10K has been made for Equality Issues, which was one of the approved spending pressure items.
 - (c) Provision for the use of security services has had to be continued for the time being. Other savings within Central Expenses cover the cost of this.
41. Central Support Services:
The reductions in both years compared with the original estimate are due to lower recharges from staff.

RECHARGES TO SERVICES

42. A summary of recharges to services is shown at **Appendix B**. These will be charged to the General Fund Portfolios, the Housing Revenue Account and capital accounts.
43. The 2006-07 revised estimate of recharges to General Fund services amounts to £12.823m, which is £0.696m less than the original estimate. In 2007-08, the estimated figure is £13.466m, which is £0.053m less than the 2006-07 original estimate. This will result in very favourable levels of recharges to most services. However, an element of these reductions is due to lower capital charges (see paragraph 20), which will be reversed out in the final general fund summary.
44. The revised estimate of recharges to the Housing Revenue Account amounts to £2.448m, which is £0.218m less than the original estimate. In 2007-08, the estimated figure is £2.451m, which is £0.215m less than the 2006-07 original estimate.
45. Details of the unallocated costs, which are provided for but not recharged at this stage, are also noted on Appendix B. Apart from the general provisions that could not be allocated (see paragraph 37), a late adjustment to account for the chosen internal audit tender was also not allocated.

CAPITAL ESTIMATES: REVISED 2006-07 AND ESTIMATES 2006-07 TO 2009-10

46. The Capital Programme relating to the Staffing and Central Overhead Accounts is submitted for approval at **Appendix C**. The only capital expenditure relevant to these accounts relates to the new Cambourne Offices and ICT Development (including the Contact Centre).
47. Comments concerning the items in the programme are included in the notes to Appendix C.

Implications

48.	Financial	1.The estimated central costs rechargeable to services, as shown in Appendix B , will be shown in all portfolio estimates as Central, Departmental and Support Services and will also be recharged to capital accounts, as appropriate. 2.The unallocated costs will be shown as separate items in the General Fund Summary and Housing Revenue Account Summary and will be incorporated in the Capital Programme. 3.The capital estimates in Appendix C will be included in the Council's Capital Programme. The funding of these initial capital payments will normally be financed from the available capital receipts. In future years, the relevant revenue accounts will be charged additional capital charges for use of the assets purchased.
	Legal	No additional implications. The estimates show the financial effect of decisions that have already been made.
	Staffing	As above
	Risk Management	As above
	Equal Opportunities	As above

Consultations

49. The relevant cost centre managers, who are responsible for setting the level of their respective budgets and controlling the expenditure within them, have been consulted extensively in the compilation of the estimate figures

Effect on Annual Priorities and Corporate Objectives

50.	Affordable Homes	To determine detailed staffing and overhead budgets to provide the resources for the Council to continue and improve its services to achieve its corporate objectives as far as possible within the current financial constraints.
	Customer Service	
	Northstowe and other growth areas	
	Quality, Accessible Services	
	Village Life	
	Sustainability	
	Partnership	

Recommendations

51. Cabinet is recommended to:
- Confirm the inflation figure of 2½% both for general expenditure and pay awards, on which all the estimates are being prepared (paragraph 16).
 - Approve the revenue estimates and recharges as presented and shown at **Appendix A and Appendix B**.
 - Approve the capital programme as shown at **Appendix C**.

Background Papers: the following background papers were used in the preparation of this report:

Estimate files within the Accountancy Division
Detailed estimates pack

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