

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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<b>REPORT TO:</b>	Senior Management Team	09 December 2009
	Finance and Staffing Portfolio Holder	16 December 2009
<b>AUTHOR/S:</b>	Executive Director (Corporate Services)/Principal Accountant (General Fund and Costing)	

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### CAPITAL AND REVENUE ESTIMATES FOR THE STAFFING AND CENTRAL OVERHEAD ACCOUNTS

#### Purpose

1. To approve the Capital Programme up to the year 2012-13 and the Revenue Estimates up to 2010-11 for the Staffing and Central Overhead Accounts.
2. This is not a key decision. However, it revises the Staffing and Central Overhead part of the 2009-10 estimates, which feeds into all service budgets within the overall total Council budget. It also sets out the relevant 2010-11 estimates, which will be included as part of the overall estimates to be presented to the Cabinet and confirmed by Council in February 2010.

#### Executive Summary

3. These estimates form only the first part of the estimate process. Those savings proposals agreed by Council on 26 November 2009 that are relevant to the staffing and central overhead accounts have been incorporated and all areas have been reviewed in detail.
4. 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**.
5. The net estimated expenditure in 2010-11 for this area of the accounts is £17.169m, which is £1.437m (7.7%) less than the original estimate for 2009-10. The 2009-10 revised figure of £18.198m is £0.408m (2.2%) 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, Waterbeach Depot and ICT Development. The changes in the programme relate to re-phasing only.
7. In **Appendix D**, a comparison is made between the original 2009-10 estimates, adjusted for expenditure approvals and proposed savings during the year to date, and the revised estimates. This is made in respect of the Staffing and Central Overhead Accounts only. It shows that the revised estimate is within the target figure by £74K. This will offset possible additional expenditure and shortfalls of income that may need to be included elsewhere in the revised estimates.
8. In **Appendix E**, the original 2009-10 estimates are reconciled to the 2010-11 estimates. Again, this is in respect of the Staffing and Central Overhead Accounts only. It confirms that the new estimates achieve the expected result.
9. The Finance and Staffing Portfolio Holder is recommended to:

- (a) Approve the revenue estimates and recharges as presented and shown at **Appendix A and Appendix B.**
- (b) Approve the capital programme as shown at **Appendix C.**
- (c) Note that the total 2009-10 revised estimates for Staffing and Central Overheads reduces the current budget by £74K, which will offset possible additional expenditure or shortfalls of income elsewhere in the revised estimates.

## **Background**

- 10. The draft estimates for all the services of the Council will be presented to the relevant Portfolio Holders in January, for consideration and endorsement. All estimates will incorporate the savings package that was confirmed at the Council meeting on 26 November 2009. It is intended that those estimates will be brought together and presented to the Scrutiny and Overview Committee on 4 February and Cabinet on 11 February 2010. The final approval of the estimates and the levels of Council Tax and Rents will be decided by the Council on 25 February 2010.
- 11. Before the above process can proceed, the estimates relating to the Staffing and Central Overhead Accounts need to be determined by the Finance and Staffing Portfolio Holder, so that they may be recharged to all the services of the Council.
- 12. The estimates presented today concern the Staffing and Central Overhead Accounts only. The staffing costs, including the comparative figures for the Original Estimate 2009-10 and Actual 2008-09, have been re-categorised according to the new Portfolios. Each current staffing cost centre is assigned to one portfolio only. The Wardens' and DLO/DSO operatives' costs continue to be excluded, as they are charged directly to their services.
- 13. 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.** In addition, comparisons of the net expenditure for the Original 2009-10 estimates with the revised estimates this year and estimates for 2010-11 are shown on **Appendix D** and **Appendix E** respectively.
- 14. These estimates incorporate all decisions made by the Cabinet up to and including the November meeting. Any further approved changes could be subsequently added to these estimates, but the costs or reductions in 2010-11 could remain unallocated to services until the Revised Estimates are completed in December 2010.
- 15. The detailed estimates reflect the new portfolio structures. All the comparative figures for the Actual 2008-09 and Original Estimate 2009-10 have also been reorganised to reflect the current portfolio structure. The officer cost structure remains as before, except insofar as the contact centre now comes under Community and Customer Services rather than ICT. New Communities and Planning have been shown separately, although they are now managed under one umbrella.

## **Considerations**

### **PAY AWARDS**

- 16. In 2009-10, a pay award provision of 2.5% was included in the detailed estimates, so the comparative original estimate figures include that level of provision. However, a reduction to 1% was made on the General Fund and Housing Revenue Account summaries to reflect the final decision to provide for 1%, which was also the actual agreed pay award. For 2010-11, no provision has been included for an annual pay

award. However, further provision of 2.1% per annum is made for increases in local government pension costs (see paragraph 23 below).

## INFLATION

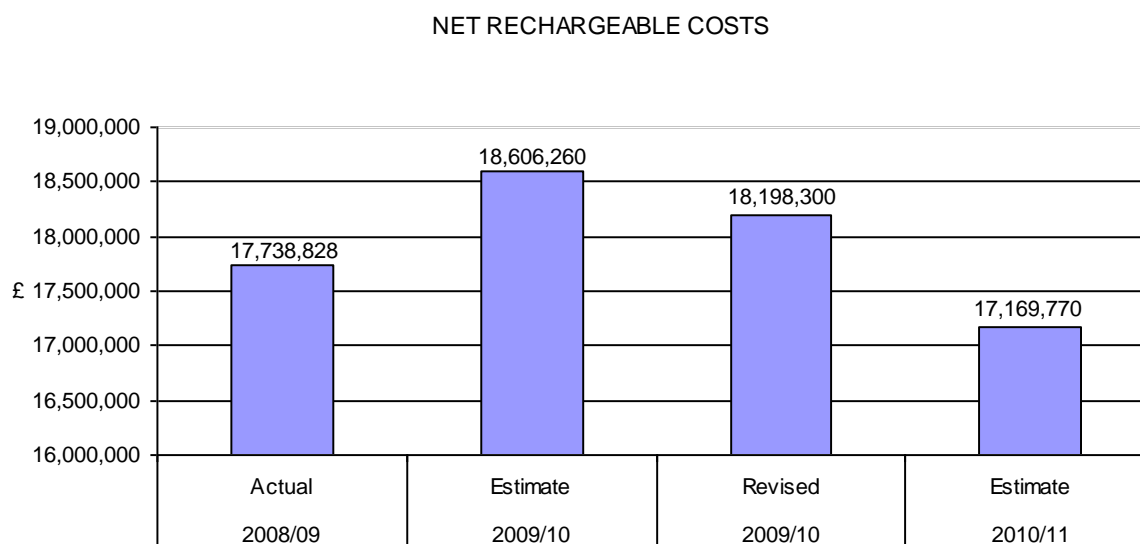
17. Similarly to last year, no automatic inflation allowance has been applied in 2010-11. Increases in individual estimates have been applied only in cases where price increases can be justified, but the 2.5% overall assumption of inflation in the Medium Term Financial strategy remains as the overriding level of inflation provision on non-pay items.

## REVENUE ESTIMATES: REVISED 2009-10 AND ESTIMATES 2010-11

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

### NET RECHARGEABLE COSTS (including unallocated)

19. All costs of the staffing and central overheads are recharged both between these accounts and to all the services of the Council.
20. The rechargeable expenditure has a significant impact on the total revenue expenditure of each service. The net estimated expenditure in 2010-11 is £17.169m, which is £1.437m (7.7%) less than the original estimate for 2009-10 and £0.569m (3.2%) lower than the actual expenditure in 2008-09. The 2009-10 revised figure of £18.198m is £0.408m (2.2%) less than the original estimate and £0.460m (2.6%) more than the 2008-09 actual expenditure. These comparisons are shown diagrammatically below:



21. The above figures include capital charges, which is the charge for depreciation of assets. The net rechargeable costs have been analysed on Appendix A, as a memorandum note, to show the costs excluding capital charges. However, unlike previous years, there are no significant changes in the level of capital charges, which do 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.

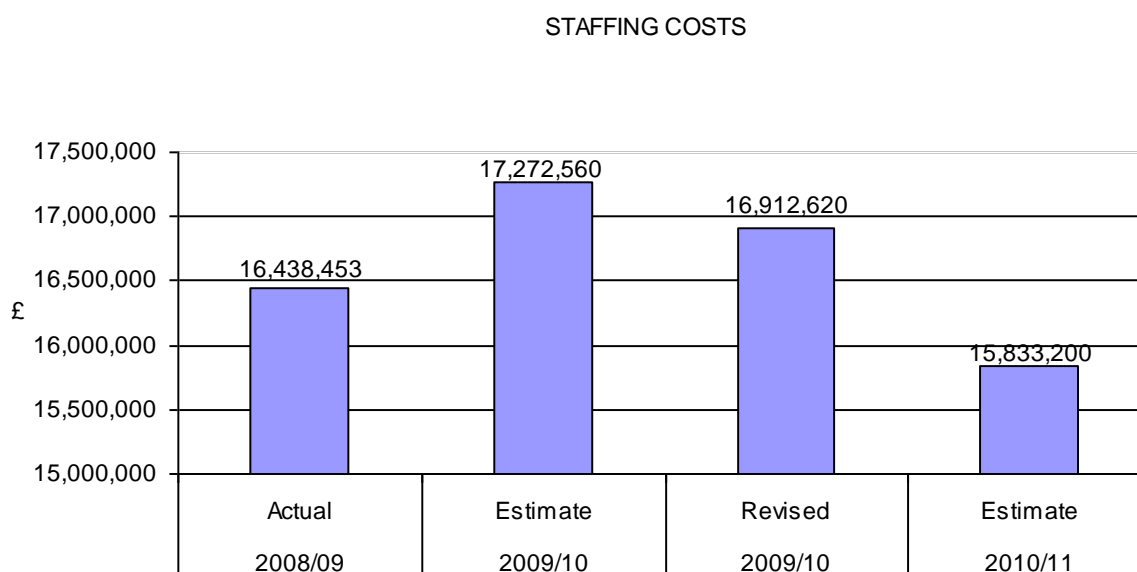
22. The Net Rechargeable Costs are made up of Staffing Costs, which are referred to in paragraphs 23 to 34, and Central Overheads, which are dealt with in paragraphs 35 to 38.

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

23. In addition to the pay award provision of 1% in 2009-10 and NIL in 2010-11, provision has also been made for an increase of 2.1% in the employer's pension contribution rate. This was 19.6% in 2009-10 and will be 21.7% in 2010-11. Incremental progression would cost around another 3% on an individual post, but this may be partly offset by decreases on posts occupied by new staff. A provision of £50,000 is included in the Medium Term Financial Strategy to cover net increments.
24. The net estimated staffing expenditure in 2010-11 is £15.833m, which is £1.439m (8.3%) less than the original estimate for 2009-10 and £0.605m (3.7%) lower than the 2008-09 actual expenditure. The 2009-10 revised figure of £16.912m is £0.360m (2.1%) less than the original estimate and £0.474m (2.9%) more than the 2008-09 actual expenditure.
25. 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 Finance and Staffing Portfolio Holder and can be made available to other Members on request.
26. The following table shows a comparison by portfolio of the original Estimate 2009-10 with both the Revised Estimate 2009-10 and the Estimate 2010-11:

<u>Staffing Costs by Portfolio</u>	Estimate 2009-10 £000	<b>Revised 2009-10 v Est.09-10 £000</b>	<b>Estimate 2010-11 v Est.09-10 £000</b>
Finance and Staffing	4,615	- 102	- 224 (4.9%)
Sustainability, Procurement and Efficiency	808	- 21	- 36 (4.4%)
Environmental Services	2,277	- 68	- 54 (2.4%)
Housing	2,823	+ 112	- 157 (4.0%)
Planning	2,681	- 160	- 367 (13.7%)
New Communities	1,980	- 192	- 510 (25.8%)
Policy and Performance (inc ICT)	2,111	- 150	- 75 (3.6%)
Leader	247	- 49	- 36 (14.6%)
Unallocated expenditure	-270	+ 270	+ 20 (7.4%)
<b>TOTAL</b>	<b>17,272</b>	<b>- 360</b>	<b>-1,439 (8.3%)</b>
<b>Overall Total Figures</b>	<b>17,272</b>	<b>16,912</b>	<b>15,833</b>

27. The overall staffing figures are shown diagrammatically below:



28. The staffing costs (including all ICT costs) may also be analysed by officer structure, to reflect the responsibilities of corporate manager service divisions. These figures are included as memorandum accounts at the back of the estimates pack accompanying the agenda.
29. Comments on the figures, both overall and for each portfolio are set out in paragraphs 30 to 34. Comparisons are with the original estimates, unless otherwise stated.
30. Overall Staffing Costs decrease 2009-10 (-£360K):  
The increase is mainly due to lower expenditure on reclaimable Cambridgeshire Horizons/Planning Delivery Grant posts (£-105K), required savings (-£251K) and the adjustment to reduce the pay award over-provision from 2.5% to 1% (-£218K), partly offset by virements from service accounts (+£268K).
31. Staffing Costs by Portfolio 2009-10:
- (a) The increase in the revised Housing Portfolio costs is mainly due to approved virements from service accounts (+£138K).
  - (b) The reduction on new Communities includes lower figures for posts funded by Cambridgeshire Horizons (-£105K), so income in the Growth service account will also reduce accordingly.
  - (c) In general, all the other portfolios show reductions in line with the overall reductions described above.
32. Overall Staffing Costs decrease 2010-11 (-£1,439K):  
The substantial decrease is mainly due to reductions for savings (-£1,308K). Other reductions include the adjustment to reduce the pay award over-provision from 2.5% to 1% (-£218K), Housing Futures and other fixed posts and one-off provisions removed (-£290K). These are partly offset by increased pension and increment costs (-£341K).
33. Staffing Costs by Portfolio 2010-11:
- (a) The decrease in Sustainability, Procurement and Efficiency (-£36K) is mainly as a result of the transfer of a member of staff to another section, rather than there being any material reduction.

- (b) The majority of the Housing reduction (-£157K) is due to the removal of Housing Futures (-£89K) from the budget. There are also some savings reductions on Housing General Fund. However, the Housing Revenue Account restructure involves some movement of staff into the departmental accounts from service account areas. Those savings will therefore show more in the service accounts rather than these departmental accounts.
- (c) The lower Leader's Portfolio expenditure (-£36K) is mostly due to a reduction in hours of the partnership officers who are funded from the Crime and Disorder Group. This results in a saving for that Group.
- (d) The rest of the portfolios show reductions in line with the required savings.

34. Unallocated:

A 2% reduction for vacancies, excluding externally funded posts, continues to be applied. In the current year, the full required reduction has been achieved. All the required savings have been allocated to specific cost centres although in a significant amount of cases, the reduction is shown as 'Reduction to meet savings targets' rather than being deducted from specific expenditure heads.

### CENTRAL OVERHEADS

- 35. Waterbeach Depot: (2009-10 -£3K, 2010-11 +£75K)  
The large increase in 2010-11 is caused by the inclusion of £67K for the relocation of the depot. This was agreed in two parts, namely £37K in the bids approved in October 2008 and another £30K in November 2009 as part of the Waste and Recycling Strategic Review.
- 36. Cambourne Office: (2009-10 +£5K, 2009-10 -£36K)
  - (a) The increase in 2009-10 is due to higher recharges from temporary agency and other staff costs needed to facilitate the management of the offices, mostly offset by savings on energy and communications maintenance costs.
  - (b) The decrease in 2010-11 is due to continued energy and communications maintenance savings, partly offset by higher recharges arising from the new post of Facilities Manager.
- 37. Central Expenses: (2009-10 -£16K, 2010-11 -£21K)  
There are reductions for Health and Safety and Security Services, which are part of the required savings.
- 38. Central Support Services: (2009-10 -£30K, 2010-11 -£10K)  
The changes are due to lower recharges only.

### RECHARGES TO SERVICES

- 39. 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. The total recharges equate closely to the net rechargeable costs in paragraph 20, the only difference being the unallocated costs, which were -£270K in the original estimates, NIL in the revised and -£250K in the estimates for next year.
- 40. The 2009-10 revised estimate of recharges to General Fund services amounts to £14.877m, which is £0.679m less than the original estimate. Most of this decrease is caused by a reduction of expenditure that is externally funded by Cambridgeshire Horizons/Planning Delivery Grant (-£105K), for which there will be a corresponding reduction of income in the service accounts, the substitution of the 2.5% pay award provision with 1% (majority of -£218K) and the savings reductions (-£263). In 2010-11, the estimated figure is £14.272m, which is £1.284m less than the 2009-10 original estimate. This lower figure is mainly due to the savings proposals (-£1,308).

41. The revised estimate of recharges to the Housing Revenue Account amounts to £3.052m, which is £0.020m less than the original estimate. In 2010-11, the estimated figure is £3.042m, which is £0.030m less than the 2009-10 original estimate. In 2010-11, Housing Futures expenditure drops out, but the restructuring involves staff movements into the central accounts from the service accounts.
42. The revised estimate of recharges to Capital amounts to £0.268m, which is £0.022m less than the original estimate. In 2010-11, the estimated figure is £0.105m, which is £0.141m less than the 2009-10 original estimate. This reduction reflects the reduction in the future capital programme.

### **CAPITAL ESTIMATES: REVISED 2009-10 AND ESTIMATES 2010-11 TO 2012-13**

43. 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, Waterbeach Depot and ICT Development.
44. Comments concerning the items in the programme are included in the notes to Appendix C.

### **COMPARISON OF TOTAL ESTIMATES WITH APPROVED CHANGES**

45. In **Appendix D**, a comparison is made between the original 2009-10 estimates, adjusted for approved changes during the year to date, and the revised estimates. This is made in respect of the Staffing and Central Overhead Accounts only. It shows that the revised estimate is within the target figure by £74K. This could be set against shortfalls of income and additional expenditure that may need to be included elsewhere in the revised estimates.
46. In **Appendix E**, the original 2009-10 estimates are reconciled to the 2010-11 estimates. Again, this is made in respect of the Staffing and Central Overhead Accounts only. It confirms that the new estimates achieve the expected result.

### **Implications**

47.	Financial	<p>1.The estimated central costs rechargeable to services, as shown in <b>Appendix B</b>, will be shown in all portfolio estimates as Central, Departmental and Support Services and will also be recharged to capital accounts, as appropriate.</p> <p>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.</p> <p>3.The capital estimates in <b>Appendix C</b> 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.</p> <p>4. The amount available in <b>Appendix D</b> may be set against any additional expenditure, as in paragraph 45 above.</p> <p>5. <b>Appendix E</b> confirms that the 2010-11 estimates are within the expected level of net expenditure.</p>
	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

48. 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 Corporate Objectives and Service Priorities

49.	Commitment to being a listening council, providing first class services accessible to all.	To determine detailed staffing and overhead budgets to provide the resources for the Council to continue to achieve its corporate objectives as far as possible within the current financial constraints.
	Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.	
	Commitment to making South Cambridgeshire a place in which residents can feel proud to live.	
	Commitment to assisting provision for local jobs for all.	
	Commitment to providing a voice for rural life.	

### Recommendations

50. The Portfolio Holder is recommended to:
- (a) Approve the revenue estimates and recharges as presented and shown at **Appendix A and Appendix B.**
  - (b) Approve the capital programme as shown at **Appendix C.**
  - (c) Note that the total 2009-10 revised estimates for Staffing and Central Overheads reduces the current budget by £74K, which will offset possible additional expenditure or shortfalls of income elsewhere in the revised estimates.

**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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