

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Finance and Staffing Portfolio Holder 20 January 2010  
**AUTHOR/S:** Executive Director (Corporate Services)/ Principal Accountant  
(Finance and Systems)

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### REVENUE AND CAPITAL ESTIMATES FOR THE FINANCE AND STAFFING PORTFOLIO

#### Purpose

1. To consider the Revenue Estimates up to the year 2010-11 and the Capital Programme up to 2014-15.
2. This is not a key decision. However, the report presents the relevant 2009-10 revised and 2010-11 estimates for endorsement by the Portfolio Holder, prior to being included as part of the overall estimates to be presented to the Cabinet and confirmed by Council in February 2010.

#### Background

3. The estimates for the Finance and Staffing Portfolio form part of the overall considerations for the Council's annual budget setting exercise and include the following services:
  - Council Tax Benefit from Holding Account
  - Rent Allowances from Holding Account
  - Rent Rebate (Council Dwellings) from Holding Account
  - Corporate Management
  - Land Charges
  - Treasury Management
  - Cost of NNDR Collection
  - Discretionary NNDR Relief
  - Cost of Council Tax Collection
  - Miscellaneous
  - Elections
  - Register of Electors
  - Democratic Representation
4. The Finance and Staffing Portfolio Holder approved the Staffing and Central Overhead Estimates on 16 December 2009. The recharges approved at that meeting are recharged to all services, as appropriate. These are termed as Central, Departmental and Support Services in the detailed estimates and the analysis reflects the current service structure. It should be noted that, as all the recharges have already been approved, individual portfolio holders cannot amend them.
5. The estimates for each portfolio are being reported to the relevant Portfolio Holder. These estimates will then be summarised in a report for examination by the Scrutiny and Overview Committee on 4 February, consideration by the Cabinet on 11 February, and finally, presentation to the Council on 25 February for confirmation of the estimates and levels of the Council Tax and Rents.
6. The Revenue Estimates are set out in **Appendix A**.

7. Provisions for inflation have been applied only in cases where price increases can be justified. No automatic inflation allowance has been applied, but the 2.5% overall assumption of non-pay inflation in the Medium Term Financial Strategy remains as the overriding level of provision.
8. Where applicable, the estimates of each portfolio incorporate the approved savings agreed by Cabinet and Council in November 2009 and all other expenditure approvals made up to that date. They also take account of any virement made during the year and rollover of budget from the previous year.
9. All the estimates exclude the small number of 'Precautionary Items', which are listed at the back of the current estimate book. They are specific, exceptional items of expenditure that may or may not occur during the budget period, but if they did the Council would be required to meet them. An updated list will be presented to the Cabinet on 11 February 2010; two items have been identified within this Portfolio and relate to Elections (paragraph 24) and Democratic Representation - Standards budget, (paragraph 26).

## Considerations

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

10. The revenue estimates for this Portfolio are shown at **Appendix A**. The total estimates have been analysed between direct costs, capital charges (none at present) and recharges, so that the direct costs can be identified for comparison. This is considered appropriate because the direct costs are specifically within the control of the relevant cost centre manager. By contrast, the Staffing and Overhead Estimates determine the recharges and the capital charges are notional charges that do not affect the overall expenditure of the Council. Compared with the 2009-10 original estimates, the net direct costs reduced by £27,110 in the Revised Estimates and increased by £208,980 in the 2010-11 Estimates. The increase in 2010-11 is due primarily to an increase in Rent Allowances and Rent Rebates expenditure and a decrease in the administration grant (paragraph 13b), other factors include elections (paragraph 24) and discretionary non-domestic rate relief (paragraph 21).
11. The **Appendix A** also shows a net direct costs comparison for both years, between the expected target expenditure and the new estimates that have been compiled for this meeting; the target was arrived at by taking the total direct costs in the original 2009-10 estimates and adjusting for any virement, rollover, approved additional expenditure and, for next year, inflation. The result is that the 2010-11 estimate is £244,100 over the target, due to the factors noted in paragraph 10, unachieved savings and offset by inflation not being applied automatically, and £56,480 over the target in 2009-10.
12. Comments on the individual estimate headings are given in the following paragraphs. All comparisons therein are made with the original 2009-10 estimates. All the 2010-11 estimates include an element of inflation, where necessary. A general overview of recharges is given in paragraph 27.
13. Overall Benefits Holding Account: (see detailed estimates)
  - (a) The administration of Benefits is accounted for in total through the Benefits Holding Account. The net costs are then split between Council Tax Benefit,

Rent Allowances, Rent Rebates and Bed and Breakfast. The payments to claimants and income arising from reclaimed overpayments and Department of Work and Pensions (DWP) grant are specific to each of these areas, but the administration costs are allocated on the basis of weighted caseload. The resultant net costs are shown in the Finance and Staffing Portfolio, except for those of Bed and Breakfast, which are recharged to Homelessness, within the Housing Portfolio.

- (b) Direct subsidy from the DWP on benefit payments is expected to be over £28m in 2010-11. The economic downturn has substantially increased new claims and the total caseload, particularly for Rent Allowances, which has increased by 15% in caseload and 28% in terms of benefit payments in 2009-10. Consequently, the workload of the Benefits Service has increased significantly. This was recognised to some extent by the DWP, who allocated extra benefits administration grant to Local Authorities for 2009-10 and 2010-11 only. The specific allocations for this Council, which were £85,020 and £113,180 respectively, are being used on additional benefits resources for the current year and are to be applied similarly in 2010-11. However, the base level of grant has been decreased by 5%, in line with previous indications.
- (c) Compared with the original 2009-10 estimates, the Benefits Holding Account shows increases of £74,880 in the 2009-10 revised estimates and £164,220 in the 2010-11 estimates.
- (d) In the current year, the increase is mainly due to a lower net percentage of subsidy on Rent Allowances, caused by much higher claimant error/fraud overpayments (although local authority error overpayments have decreased). Such overpayments only attract 40% subsidy. The increase is only marginally offset by higher recovery, due to the long-term nature of debt recovery from ongoing benefits.
- (e) In 2010-11, provision for the lower overall levels of direct subsidy for Rent Allowances has been continued. However, £31,670 higher recharges and £29,950 lower base DWP benefit administration grant also add to the increased net cost.
- (f) The anticipated increases in Benefits Holding Account direct costs (excluding recharges) amount to £80,200 in 2009-10 and £132,550 in 2010-11.

14. Council Tax Benefit: (from holding account above)

Council Tax Benefit net expenditure reduces by £32,770 in the 2009-10 revised estimates and £5,770 in the 2010-11 estimates. These are due to lower allocations of net administration costs, as a direct result of Council Tax Benefit cases becoming lower proportions of the overall caseload.

15. Rent Allowances (from holding account above)

Rent Allowances net expenditure increases by £95,530 in the 2009-10 revised estimates and £137,370 in the 2010-11 estimates. This is the area of substantial increase in activity. Most of the increase is caused by much higher claimant error/fraud overpayments, which only attract 40% subsidy. The rest is due to much higher proportions of administration as a result of increased caseload.

16. Rent Rebates (from holding account above)

Rent Rebates net expenditure increases by £11,120 in the 2009-10 revised estimates and £32,620 in the 2009-10 estimates. Similarly to above, the

increase is caused by higher claimant error/fraud overpayments and slightly higher proportions of administration, as a result of increased caseload.

#### 17. Corporate Management

When compared to the original 2009-10 estimates, Corporate Management shows an increase of £70,330 in the revised estimates and £95,410 in the 2010-11 estimates.

- (a) The estimated recharges from Staffing and Overhead Accounts to Corporate Management increased by £25,010 from £913,610 in the original 2009-10 estimate to £938,620 in the revised 2009-10 estimate and by £89,530 to £1,003,140 on the 2010-11 estimate. This increase has been offset by a reduction in direct costs of £10,970 in the 2010-11 estimates mainly relating to a reduction in the provision for consultants. The recharge to the Housing Revenue Account has decreased by £26,488 in the revised 2009-10 estimate and £16,854 in the 2010-11 estimates.
- (b) Information to enable the quantification of pension costs resulting from staff redundancy is not available at this time; consequently a provision has not been included in the estimates.
- (c) A requirement for expenditure under the heading of Consultants is not currently anticipated in 2009-10 or 2010-11 and has been prudently removed from the estimates.
- (d) The original 2009-10 estimates under-estimated the external audit and grant claim charges for the year by £28,140; the revised estimate 2009-10 is amended to reflect this. The increased cost for external audit being attributed to additional work relating to the Council's final accounts 2008-09.
- (e) The subscription to the Local Government Association for 2009-10 is less than originally estimated the revised estimate is amended to reflect this.
- (f) The 2009-10 revised estimate for subscriptions to other organisations consists of two items the first relating to Public Concern at Work has increased reflecting the end of the initial discounted subscription, the second a Financial Report Preparers levy being a new and ongoing requirement beginning 2009-10.
- (g) The Housing Revenue Account is recharged for a proportion of the costs of Corporate Management; this has decreased in the revised 2009-10 estimates and 2010-11 estimates to £354,650 and £364,290 respectively.

#### 18. Land Charges

When compared to the original 2009-10 estimate, Land Charges show a decrease in net expenditure of £97,370 in the revised 2009-10 estimate and £91,350 in 2010-11, this is due to a decrease in recharges and an increase in income. It was reported to Senior Management Team, (SMT, 22 December 2009), that due to Land Charges fee income levels being greater than estimated there is expected to be a reduction in net direct expenditure of approximately £43,000 in 2009-10.

- (a) The number of County Council searches in 2009-10 is higher than anticipated and is also expected to show a small increase in 2010-11 resulting in an increase in the revised estimate of £9,600, the 2010-11 estimate has,

therefore, been set to reflect an inflation increase of 2.5% and a slightly elevated level of searches.

- (b) Guidance for the setting of fees for local land charge services (Charges for Property Searches regulations 2008) includes a requirement for the Authority to apply a methodology for assessing the costs of providing each land charge service, description of service or group of services, and the projected take-up of that service, and therefore the charge that should be made, over a period of between 1 and 3 years. The authority is required to ensure that over a rolling period the total income does not exceed costs; as the guidance does not stipulate a requirement to break-even the Council could choose to support local residents and businesses by making a charge for services which recovers less than full cost. The current schedule of charges was agreed by Cabinet in April 2009, the Interim Legal & Democratic Services Manager has indicated that it is not intended to review the current fees and charges at this time therefore the 2010-11 estimates have been compiled based on the current schedule. The revised estimate 2009-10 for income from fees and charges has been increased by £52,400, and the 2010-11 estimates by £71,900 when compared to the original 2009-10 estimate, the change is due to a combination of an increase in applications and the impact of the new charging policy.
- (c) The charge for a personal search of the local land charges register is to increase from a statutory fee set centrally by Government of £11 to £22 in 2010-11, this increase is reflected in the estimates.
- (d) Should the property market show an upturn; an increase in the number of searches would result in a reduced deficit for Land Charges, alternately a decrease in property searches would increase the deficit currently indicated in the estimates.

The proposed income figure of £316,000 (2010-11 estimates) corresponds to the amount included in the Medium Term Financial Strategy and reflects the increase in personal search charges of approximately £19,500 when compared to the revised estimate 2009-10. Any presented increase in fee income is tempered by increased charges levied by the County Council in relation to the provision of search information held by that authority. The effect on the net direct costs in 2010-11 compared with the original 2009-10 estimates is showing a decrease in expenditure borne by the General Fund of approximately £60,000, corresponding to the figure reported to Senior Management Team (19 August 2009).

#### 19. Treasury Management

When compared to the original 2009-10 estimates, Treasury management shows an increase of £1,890 in the revised estimates and £1,360 in the 2010-11 estimates, this is mainly due to marginal increases in recharges from Central, Departmental and Support Services and a reduction in the recharge to the Housing Revenue Account.

#### 20. Cost of NNDR Collection

When compared to the original 2009-10 estimates, the Cost of NNDR Collection has decreased by £33,530 in the revised estimates and increased by £3,310 in the 2010-11 estimates, this is primarily due to additional grant of £15,900 received in 2009-10 relating to the Communities and Local Government Business Rates Deferral Scheme, the grant provides assistance to Councils in administering and promoting the scheme

to local businesses. The deferral scheme, (The Non-Domestic Rating (Deferred Payments) (England) Regulations 2009 (SI 2009/1597)), is designed to provide help during the economic downturn, allowing businesses to spread payment of increases in their 2009-10 rates bills over three years. The regulations, which implement the scheme, came into force on the 31 July 2009 businesses being able to apply for a deferral from that day.

Other factors include; a reduction of £31,080 in Staffing and Overhead Recharges (paragraph 27) in the revised estimate partly relating to vacant posts and £9,290 in 2010-11, and a reduction in the recharge to the Collection fund.

21. Discretionary NNDR Relief

The increases in the revised 2009-10 and 2010-11 estimates when compared to the original 2008-09 estimates, £13,760 and £16,610 respectively, reflect the current levels of discretionary non-domestic rate relief.

22. Cost of Council Tax Collection

The Cost of Council Tax Collection has decreased by £32,720 in the revised estimate 2009-10 when compared to the original estimate and increased by £8,830 against the 2010-11 estimates. In 2009-10 this is attributable to a decrease in bank charges resulting from a reduction in customer payments made by cash and cheque and improvements in council tax collection leading to a reduction in legal costs and associated recoverable charges and, a decrease in Staffing and Overhead Recharges in 2009-10 of £24,900 relating to vacant posts and reallocation of staff time and an increase of £9,560 in 2010-11 (Recharges, paragraph 27).

23. Miscellaneous

The revised 2009-10 estimates include a rollover of £1,430 to fund the asset revaluation of General Fund assets.

24. Elections

Estimate variations include:

- (a) When compared with the original 2009-10 estimates of £14,730 the increase in the net expenditure estimate 2010-11 to £144,950 reflects the inclusion of scheduled District and Parish Council elections, reimbursement of the cost of Parish elections being reflected in the income for the year.
- (b) The sum of £4,000 has been included in Precautionary Items for District Council by-elections.
- (c) A proposed (SMT, 12 November 2009) saving per year of £27,000 for All Out Elections has not been achieved in the 2010-11 estimates.

25. Register of Electors

A comparison of the original 2009-10 estimates to the revised 2009-10 estimate and 2010-11 estimates shows an increase of £8,630 and £18,490 respectively, the increase in both years relates to Staffing and Overhead recharges and relates to reallocation of staff time.

26. Democratic Representation (Excluding Training)

When compared to the original 2009-10 estimates, Democratic Representation shows a decrease of £56,750 in the revised estimates and £68,060 in the 2010-11 estimates, the decrease being in part attributable to a decrease in recharges of £54,680 and £65,890 respectively; other estimate variations include:

- (a) Expenditure under the heading of Computer equipment, software and services has been increased by 2.5% in the 2010-11 estimates due to a contractual agreement.
- (b) Expenditure for Member and Scrutiny Committee training, which includes mentoring and the Leadership Academy, and matched funding from grant received from Building Capacity East (BCE)/ Improvement East, had been included in the original 2009-10 estimate. As the Council has not received this grant, the revised estimate 2009-10 has been decreased by £7,000 expenditure and £7,000 grant income.
- (c) After consultation with the independent remuneration panel, Leader of the Council and Group Leaders of the opposition parties it was agreed that Members Allowances would not be increased in 2010-11, the 2010-11 estimates reflect this position.
- (d) The recharge to the Housing Revenue Account being a reflection of the expenditure charged to Democratic Representation has been proportionately decreased.
- (e) A precautionary item relating to the Standards Budget of £68,720 has been included for 2009-10 and 2010-11; all precautionary items will be presented for approval by Cabinet on 11 February 2010.

27. Recharges from Staffing and Overhead Accounts - Central, Departmental and Support Services (see estimates report to the Finance and Staffing Portfolio Holder 16 December 2009):

- (a) The total estimated recharges from Staffing and Overhead Accounts to this portfolio increased by £34,670 (0.76%) from £4,536,700 in the original 2009-10 Estimate to £4,571,370 in the 2010-11 Estimate. The 2009-10 Revised Estimate of £4,475,290 is £61,410 (-1.35%) lower than the original estimate. In both years, the recharge to the Housing Revenue Account has decreased, in 2009-10 this is offset by a decrease in recharges to this portfolio from Staffing and Overhead Accounts, however, in 2010-11 Staffing and Overhead Recharges increase. The movement on Staffing and Overhead Account recharges is due primarily to the proposed Council's Depot relocation in 2010-11 (+£69,916) being offset by reallocation of staff time and vacant posts. The change in recharges to this portfolio may be compared with the Council's overall recharges to services, as below.
- (b) In general, the level of recharges depends on the cost of the service and support officers' time, ICT, contact centre, administrative buildings (mainly Cambourne Offices), Central Expenses and Central Support Services. Over the whole Council, these costs to be recharged were £18.876m in the Original Estimates 2009-10, £18.198m in the Revised Estimates 2009-10 and £17.419m in the Estimates 2010-11. These equate to decreases of £0.678m (-3.6%) in 2009-10 and £1.457m (-7.7%) in 2010-11, when compared with the original estimate 2009-10. The savings reductions were the main reason for 2010-11 decrease, but only one factor in 2009-10, when the substitution of the

2.5% pay award with 1% and vacancies in Cambridgeshire Horizons/Housing and Planning Delivery Grant funded posts were also major reasons for the reduction.

- (c) The costs being recharged to each portfolio, however, depend on how the above sums are allocated across services. Most central overhead costs are distributed per head to each officer, whose total cost is then allocated according to the officer's latest estimate of time spent on each service.

**28. CAPITAL ESTIMATES: Revised 2009-10 and Estimates 20010-11 to 2014-15**

The overall capital programme for the Council will be subject to further consideration by the Cabinet and Council, due to the current shortfall of capital funding. The capital programme for this Portfolio only includes expenditure relating to the Staffing and Central Overhead accounts and was submitted to the previous meeting in December. **Appendix B** shows the capital programme relating to the Finance and Staffing Portfolio and comprises a rollover of £9,900 relating to the Council's car park extension for which work is now complete, and £3,400 relating to computer software to incorporate efficiency savings within the council tax system, this expenditure being fully funded by a Communities and Local Government grant.

**29. Balance in Reserves**

Retention monies of £83,000 relating to the building of Cambourne offices are held in an earmarked reserve, payment not being due until the completion of the greenway adjacent to the Council offices.

**Use of resources**

30. The Use of Resources assessment requires an organisation to have a sound understanding of its costs. The costs per head of population (based on original estimates in both years) are shown below for two of the major services of this portfolio compared to fifteen other local authorities which are our nearest statistical neighbours in terms of population, age profile of population, density, sparsity, etc. There may be alternate unit costs; for example, unit costs per benefit claim for council tax benefits administration and unit costs per hereditament for council tax collection that may be more appropriate but the costs per head shown below give a preliminary indication of services where further understanding of our costs, combined with performance, may be needed.

	2008-09 £ per head	Ranking against nearest neighbour group	2009-10 £ per head	Ranking against nearest neighbour group
Council Tax Benefits Administration	3.94	6 lowest out of 16	4.03	7 lowest out of 16
Cost of Council Tax Collection	5.85	13 lowest out of 16	5.44	9 lowest out of 16

**Implications**

31. Financial:  
 (a) The estimates for the General Fund Services of this Portfolio will be included in the General Fund Summary of estimates along with the expenditure of other Portfolios.



- (b) The Capital Estimates for this Portfolio will be included in the Council's Capital Programme.

32. 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

33. 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 in the compilation of the estimate figures.

### Effect on Strategic Aims

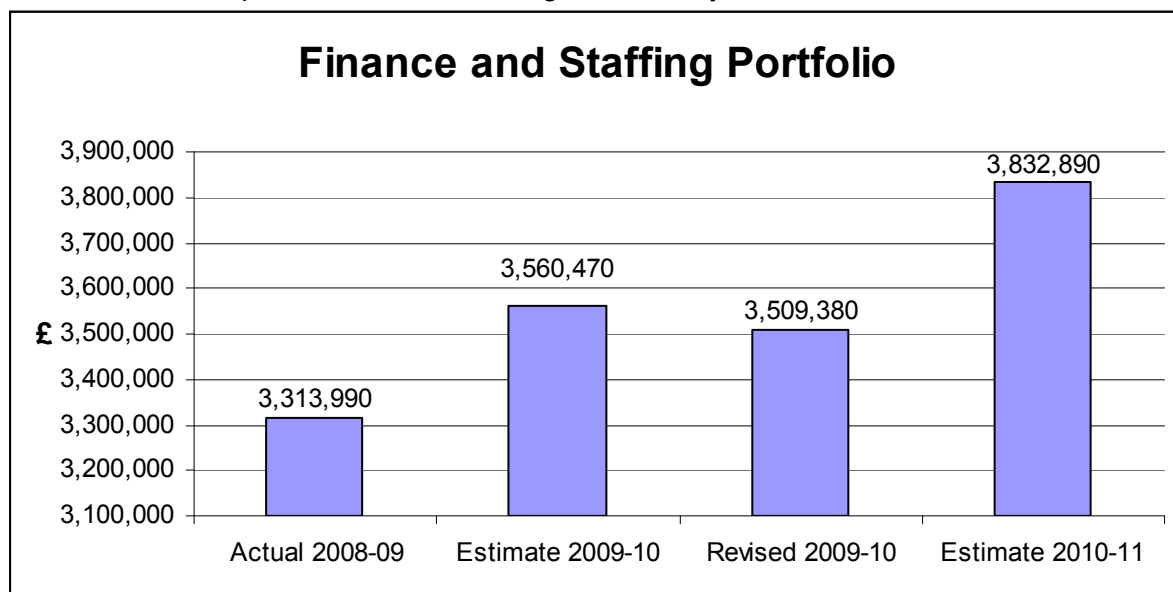
34. Commitment to being a listening council, providing first class services accessible to all.	To determine detailed Finance and Staffing Portfolio budgets to provide the resources for the Council to continue its services to achieve its corporate objectives as far as possible within the current financial 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.	

### Conclusions/Summary

35. The total net expenditure as shown at **Appendix A** is reproduced below to show the percentage increase between budgets.

Year	Amount £	Increase/(decrease) £	Increase/(decrease) %
2008-09 Actual	3,313,990		
		+246,480	+7.44%
2009-10 Estimate	3,560,470		
		-51,090	-1.43%
2009-10 Revised	3,509,380	+272,420	+8.22%
		+323,510	+9.22%
2010-11 Estimate	3,832,890		

These comparisons are shown diagrammatically below:



36. The increase in expenditure from 2008-09 to the 2009-10 original estimates of £246,480 is mainly due to recharges from the Staffing and Overheads Accounts of £260,944, a decrease in the recharge to the Housing Revenue Account and offset by a decrease in net direct costs of £27,622.
37. The decrease of £51,090 in the revised 2009-10 estimates compared to the original estimate in 2009-10 is due to a reduction of £22,650 in Staffing and other recharges allocated to services, to increased income from Land Charges through a combination of increased applications and fees, additional grant and offset by increases in discretionary non-domestic rate relief and external audit.
38. There was an increase of £323,510 in 2010-11 compared with the original estimate in 2009-10. This was largely as a result of an overall increase in recharges of £64,770, and increases within the Benefits Holding Account (paragraph 13) and for planned elections. The changes in direct costs are set out on the table in **Appendix A**.
39. With regard to direct costs only, it can be seen from the comparison of estimates with the savings target on **Appendix A**, that the estimated direct costs in the 2010-11 estimates exceeds the required target by £244,100, and the revised 2009-10 estimates by £56,480.

### Recommendations

40. The Portfolio Holder for Finance and Staffing is requested to endorse the Revenue Estimates and Capital Programme shown at **Appendices A** and **B** and recommend them for consideration by the Cabinet.

**Background Papers:** the following background papers were used in the preparation of this report: Estimate files within Accountancy Services

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