

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Finance & Staffing Portfolio Holder

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REVENUE ESTIMATES FOR THE FINANCE AND STAFFING PORTFOLIO

Purpose

1. To consider the Revenue Estimates up to the year 2011-12 and the Capital Programme up to 2015-16.
2. This is not a key decision. However, the report presents the relevant 2010-11 revised and 2011-12 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.

Recommendations

3. That the Finance and Staffing Portfolio Holder:
 - a) endorses the Revenue Estimates for 2011-12 and the Capital Programme up to 2015-16, relating to services within the Portfolio and recommends them for consideration by the Cabinet, and
 - b) approves the Land Charges scheme of charges

Background

4. 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

5. The Finance and Staffing Portfolio Holder approved the Staffing and Central Overhead Estimates on 14 December 2010. 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.

6. 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 7 February 2011, consideration by the Cabinet on 10 February, and finally, presentation to the Council on 24 February for confirmation of the estimates and levels of the Council Tax and Rents.
7. The Revenue Estimates are set out in **Appendix A**.
8. 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.
9. Where applicable, the estimates of each portfolio take account of any rollover of budget from the previous year and virement made during the year; they also incorporate expenditure approvals by Cabinet and Council up to November 2010.
10. 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 10 February 2011; two items have been identified within this Portfolio and relate to Elections (paragraph 25) and Democratic Representation - Standards budget, (paragraph 27).

Considerations

REVENUE ESTIMATES: REVISED 2010-2011 AND ESTIMATES 2011-12

11. 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 2010-11 original estimates, the net direct costs reduced by £96,210 in the Revised Estimates and by £214,130 in the 2011-12 Estimates. The decrease in 2010-11 is mainly due to virement of £69,180 from the Benefits Holding Account (paragraphs 14b and 14d), other factors include land charge income (paragraph 19) and restructuring savings on the costs of collecting national non-domestic rates and council tax (paragraph 21 and 23) and elections (paragraph 25).
12. 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 2010-11 estimates and adjusting for any virement, rollover, approved additional expenditure and, for next year, inflation. The result is that the 2011-12 Estimate is £167,210 within the target primarily through increased administration grant and expected savings on external audit, and £154,790 within the target in 2010-11 due to the factors noted in paragraph 11.
13. Comments on the individual estimate headings are given in the following paragraphs. All comparisons therein are made with the original 2010-11 estimates. All the 2011-12

estimates include an element of inflation, where necessary. A general overview of recharges is given in paragraph 28.

14. 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 £31m in 2011-12. The economic downturn has substantially increased new claims, which for the year to date stands at an all time high of 7,100, and the total caseload, particularly for Rent Allowances, which has increased by 9.5% in caseload and 12% in terms of benefit payments. Consequently, the workload of the Benefits Service has increased significantly and it is anticipated that the caseload will continue to increase due to the economic climate and also the anticipated growth within South Cambridgeshire. This has been recognised to some extent by the DWP, who allocated additional benefits administration grant to Local Authorities for 2010-11 and 2011-12. The specific allocations for this Council were £113,180 and £53,910 respectively; £69,180 of the £113,180 in the current year has been vired to the Benefits T account and is being used on revenues and benefits projects; the balance of £44,000 in the current year and the £53,910 for 2011-12 are to be applied to additional benefits resources. However, the base level of grant for 2011-12 has been decreased by 5.8%, in line with previous indications.
- (c) In spite of the increases in claims and caseload, the Benefits Holding Account shows significant decreases in net expenditure compared with the original 2010-11 estimates, of £187,920 in the 2010-11 revised estimates and £221,490 in the 2011-12 estimates.
- (d) In the current year, the decrease is mainly due to the £69,180 virement noted above, an £80,000 reduction in staffing and central overhead recharges resulting from vacancies and other reallocations. A £1,042,000 increase in Rent Rebate, Council Tax and Rent Allowance Benefit Transfer Payments was more than offset by a £1,078,100 increase in the associated Government Grant, resulting in a net decrease against the General Fund of £36,100.
- (e) In 2011-12, the decrease is mainly due to a £3,141,800 increase in Rent Rebate, Council Tax and Rent Allowance Benefit Transfer Payments, more than offset by a £3,323,110 increase in the associated Government Grant, resulting in a net decrease against the General Fund of £181,310. A £72,000 reduction in staffing and central overhead recharges, resulting from vacancies and changes in reallocations, was partly offset by a £33,200 lower base DWP benefit administration grant.
- (f) The decreases in Benefits Holding Account direct costs (i.e. excluding recharges) amount to £108,000 in 2010-11 and £149,500 in 2011-12.

- (g) It should be noted that, while the 2011-12 estimates have been prepared on the basis of the best information currently available, the changes in legislation relating to housing and council tax benefits, combined with the unpredictability of the pace of the caseload rise, mean that expenditure will need to be closely monitored during the year.

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

Council Tax Benefit net expenditure reduces by £12,290 in the 2010-11 revised estimates and £98,530 in the 2011-12 estimates. The reductions are due to: lower Transfer Payments, offset by a decrease in the associated Government Grant; less overpayments debited to Council Tax accounts; and a reduction in staffing and central overhead recharges, resulting from vacancies and changes in reallocations. In 2010-11 there is an increase in the base DWP benefit administration grant, resulting from a change in the caseload proportions; however, this becomes a reduction in 2011-12, similar to that for Rent Allowances and Rent Rebates below.

16. Rent Allowances (from holding account above)

Rent Allowances net expenditure reduces by £125,230 in the 2010-11 revised estimates and £85,960 in the 2011-12 estimates. This is the area of substantial increase in activity; however the resulting increased Transfer Payments are more than offset by an increase in the associated Government Grant. A reduction in staffing and central overhead recharges, resulting from vacancies and changes in reallocations, was partly offset by a lower base DWP benefit administration grant.

17. Rent Rebates (from holding account above)

Rent Rebates net expenditure reduces by £51,600 in the 2010-11 revised estimates and £39,950 in the 2011-12 estimates. Similarly to above, increased Transfer Payments are more than offset by an increase in the associated Government Grant, and a reduction in staffing and central overhead recharges, resulting from vacancies and changes in reallocations, was partly offset by a lower base DWP benefit administration grant.

18. Corporate Management

When compared to the original 2010-11 estimates, Corporate Management shows an increase of £59,350 in the revised estimates and a decrease of £159,930 in the 2011-12 estimates.

- (a) The estimated recharges from Staffing and Overhead Accounts to Corporate Management decreased by £20,080 from £1,003,140 in the original 2010-11 estimate to £983,060 in the revised 2010-11 estimate and by £127,220 to £875,920 in the 2011-12 estimate. This decrease has been offset by an increase in direct costs of £127,140 primarily through virement in the 2010-11 revised estimates relating to the provision for pension costs resulting from staff redundancy, in the 2011-12 estimate direct costs have decreased by £62,500 reflecting a saving on audit fees and non-recurring pension provision. The proportional recharge to the Housing Revenue Account increased by £47,710 in the revised 2010-11 estimates and decreased by £29,790 in the 2011-12 estimates.

- (b) The original 2010-11 over-estimated the external audit and grant claim charges for the year by £13,230, and under-estimated audit inspection fees by £13,170; the revised estimate 2010-11 is amended to reflect this. Expenditure on inspection fees is not anticipated in 2011-12 and has prudently been removed from the estimates.
- (c) The subscription to the Local Government Association for 2010-11 is less than originally estimated the revised estimate is amended to reflect this.
- (d) The estimate for subscriptions to other organisations consists of two items the first relating to Public Concern at Work and the second a Financial Report Preparers levy.
- (e) The Housing Revenue Account is recharged for a proportion of the costs of Corporate Management; this has increased to £412,000 in the revised 2010-11 estimates and decreased in the 2011-12 estimates to £334,500 reflecting the in year movement in corporate management costs.

19. Land Charges

When compared to the original 2010-11 estimate, Land Charges show a decrease in net expenditure of £19,640 in the revised 2010-11 estimate and £32,380 in 2011-12, this is due to a decrease in recharges offset by a decrease in income.

- (a) The number of County Council searches in 2010-11 is lower than anticipated the revised estimate decreasing by £1,250, but is expected to increase in 2011-12, the 2011-12 estimate has, therefore, been set to reflect an inflation increase of 2.5% and a slightly elevated level of searches when compared to the revised estimate.
- (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 of unrefined information; 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 schedule of charges has been reviewed and the commercial search fees amended by the Legal and Democratic Services Manager to reflect the cost of the provision of refined information, the revised schedule, with effect from 1 April 2011, is included as **Appendix B**.
- (c) The charge for a personal search of the local land charges register increased from a statutory fee set centrally by Government of £11 to £22 in 2010-11, this increase was reflected in the original 2010-11 estimates. Subsequently, the Coalition Government suspended the requirement for Homebuyer Information Packs with effect from 21 May 2010 this has led to a fall in the number of personal searches and associated income, the position was compounded in August when the £22 personal search fee was abolished.
- (d) The revised estimate 2010-11 for income from fees and charges has been decreased by £11,000 reflecting the decrease in personal search income, and

the 2011-12 estimates by £2,000 when compared to the original 2010-11 estimates, being a combination of the reduction in personal search income and increased income from the proposed new charge for commercial property searches as shown in **Appendix B**.

- (e) Should the property market show an upturn; an increase in the number of searches would result in an increased surplus for Land Charges, 2% growth has been anticipated in the estimates, alternately a decrease in property searches would reduce the surplus currently indicated in the estimates.

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.

20. Treasury Management

When compared to the original 2010-11 estimates, Treasury management shows an increase of £2,050 in the revised estimates and £2,660 in the 2011-12 estimates, this is mainly due to increases in recharges from Central, Departmental and Support Services from staff reallocation of time, £5,500 and £5,940 respectively, and a small increase in the recharge to the Housing Revenue Account.

21. Cost of NNDR Collection

When compared to the original 2010-11 estimates, the Cost of National Non-Domestic Rate Collection has decreased by £94,450 in the revised estimates and by £24,780 in the 2011-12 estimates, this is primarily due to a reduction in the provision for costs of £63,500 and grant of £9,180 received in 2010-11, and costs of £6,500 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 in Staffing and Overhead Recharges through service restructuring (paragraph 28) of £30,210 (Revised 2010-11) and £26,840 (2011-12), and an increase in other recoverable charges.

22. Discretionary NNDR Relief

The decreases in the revised 2010-11 and 2011-12 estimates when compared to the original 2010-11 estimates, £12,900 and £9,000 respectively, reflect the current levels of discretionary non-domestic rate relief.

23. Cost of Council Tax Collection

The Cost of Council Tax Collection has decreased by £48,920 in the revised estimate 2010-11 when compared to the original estimate and by £79,150 against the 2011-12 estimates. In 2010-11 this is primarily attributable to a decrease in Staffing and Overhead Recharges of £55,130 and £83,450 respectively relating to service restructuring (Recharges, paragraph 28). Other factors include a decrease in bank charges and other expenses 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.

24. Miscellaneous

The revised 2010-11 estimates and 2011-12 estimates include £860 to fund the revaluation of General Fund assets.

25. Elections

Estimate variations include:

The original 2010-11 estimates of £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, the revised estimate reflects the additional recovery of costs, £53,000, incurred in the Parliamentary Elections, and identified within the Council's savings proposals.

The sum of £4,000 has been included in Precautionary Items for District Council by-elections.

26. Register of Electors

A comparison of the original 2010-11 estimates to the revised 2010-11 estimate and 2011-12 estimates shows an increase of £7,540 and a decrease of £4,730 respectively, the movement in both years mainly relates to the Staffing and Overhead recharges and the reallocation of staff time.

27. Democratic Representation (Excluding Training)

When compared to the original 2010-11 estimates, Democratic Representation shows an increase of £20,970 in the revised estimates and £5,270 in the 2011-12 estimates, the increase being attributable to an increase in recharges through service restructuring of £20,550 and £4,890 respectively.

A precautionary item relating to the Standards Budget of £68,720 has been included for 2010-11 and 2011-12; all precautionary items will be presented for approval by Cabinet in February 2011.

28. Recharges from Staffing and Overhead Accounts – Central, Departmental and Support Services (see estimates report to the Finance and Staffing Portfolio Holder 14 December 2010):

(a) The total estimated recharges from Staffing and Central Overhead Accounts to this portfolio decreased by £180,150 (3.94%) from £4,571,370 in the 2010-11 original estimates to £4,391,220 in the 2010-11 revised estimates. The 2011-12 estimates of £4,225,780 are £345,590 (7.56%) lower than the 2010-11 original estimate. In both years, the majority of the decrease is due to savings realised from service restructuring and reallocation of officer time. 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 the Cambourne Office), Central Expenses and Central Support Services. Over the whole Council, these costs to be recharged were £17.420m in the 2010-11 original estimates, £17.308m in the 2010-11 revised estimates and £17.063m in the 2011-12 estimates. These equate to decreases of £0.112m (-0.6%) in 2010-11 and £0.357m (2.0%) in 2011-12, when compared with the 2010-11 original estimate. The main reasons for the 2010-11 decrease were lower capital charges, which reflects assets that have been fully depreciated and adjustments to the expected useful life of the remaining assets, and

reduced costs from procurement projects and contract negotiations, partly offset by provision to meet Asset Management Plan requirements for the Cambourne Office. In 2011-12, these are augmented by reduced staffing costs resulting from the various restructuring exercises that have taken place, being partly offset by an increase in business rates for the Cambourne Office due to reducing transition relief.

- (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.

29. **CAPITAL ESTIMATES: Revised 2010-11 and Estimates 2011-12 to 2015-16**

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 C** shows the capital programme relating to the Finance and Staffing Portfolio and comprises £10,000 relating to the Council's internal vestibule.

30. **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.

31. **Value for money**

The value for money 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 sixteen 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.

	2009-10 £ per head	Ranking against nearest neighbour
Council Tax Benefits administration	3.66	4th lowest out of 16
Housing Benefit administration	4.37	3rd lowest out of 16

Options

32. To detail and evaluate the different decisions that could be taken by the meeting.

Implications

33. 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.

34. Financial	The financial implications resulting from this report are set out in paragraphs 11 to 28 above.
Legal	There are no direct legal implications resulting from this report. The Estimates show the financial effect of decisions that have already been made.
Staffing	There are no additional staffing implications resulting from this report. The estimates reflect staffing decisions already made.
Risk Management	These estimates need to be endorsed so that they can be included in the General Fund Summary to be presented to Cabinet and confirmed by Council in February 2011.
Equality and Diversity	There are no direct equality and diversity implications resulting from this report. Equality and diversity issues will have been considered in the decisions which these estimates reflect.
Equality Impact Assessment completed	No As above
Climate Change	There are no direct climate change implications resulting from this report. Climate change issues will have been considered in the decisions which these estimates reflect.

Consultations

35. 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

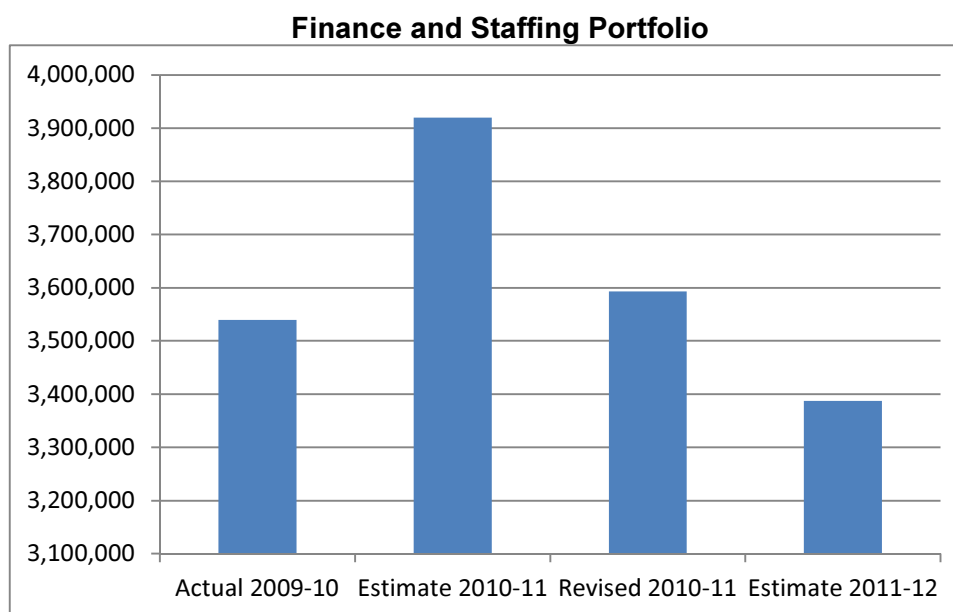
36. To determine detailed Finance and Staffing Portfolio budgets to provide the resources for the Council to continue its services to achieve its strategic aims as far as possible within the current financial constraints.

Conclusions / Summary

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

	Amount £	Increase/-decrease £	Increase/-decrease %
Year 09-10 Actual	3,539,668		
Year 10-11 Estimate	3,919,670	380,002	10.74%
Year 10-11 Revised	3,593,310	-326,360	-8.33%
Year 11-12 Estimate	3,386,940	-206,370	-5.26%
		-532,730	-13.59%

These comparisons are shown diagrammatically below:



38. The increase in expenditure from 2009-10 to the 2010-11 original estimates of £380,002 is mainly due to recharges from the Staffing and Overheads Accounts of £170,381, a decrease in the recharge to the Housing Revenue Account of £60,702 and an increase in net direct costs of £148,629.
39. The decrease of £326,360 in the revised 2010-11 estimates compared to the original estimate in 2010-11 is due to a reduction of £230,150 in Staffing and other recharges allocated to services, and within direct costs to a combination of increased income from Elections, return of unused provision and reduced costs offset by one off increases within Corporate Management and reduced income in Land Charges.
40. There was a decrease of £532,730 in 2011-12 compared with the original estimate in 2010-11. This was largely as a result of an overall decrease in recharges of £318,600, and decreases within direct costs of £214,130 relating to grants, non-recurring expenditure and identified savings. The changes in direct costs are set out on the table in **Appendix A**.
41. With regard to direct costs only, it can be seen from the comparison of estimates with the approved target on **Appendix A**, that the estimated direct costs in the 2011-12 estimates is within the required target by £167,210, and the revised 2010-11 estimates by £154,790.

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

Estimates files within Accountancy Services

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