

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 8 December 2005
AUTHOR: Finance and Resources Director

CAPITAL AND REVENUE ESTIMATES FOR THE STAFFING AND CENTRAL OVERHEAD ACCOUNTS

Purpose

1. To approve the Capital Programme up to the year 2008-09 and the Revenue Estimates up to 2006-07 for the Staffing and Central Overhead Accounts.

Effect on Corporate Objectives

2.	Quality, Accessible Services	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 financial constraints forced by capping.
	Village Life	
	Sustainability	
	Partnership	

Background

3. The draft estimates for all the services of the Council will be presented to the relevant Portfolio Holders in January, for consideration and endorsement. These will include the reductions in budgets that were agreed by Council on 27 October 2005 to meet the capping requirements. It is intended that those estimates will be brought together and all estimates presented to the Cabinet on the 9 February and the Scrutiny and Overview Committee on 16 February. The final approval of the estimates and the levels of Council Tax and Rents will be decided by the Council on 23 February 2006.
4. 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.
5. 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 departmental 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.
6. 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**.
7. These estimates incorporate all decisions made by the Cabinet up to today and also anticipate, in broad terms, the total savings in the Shire Homes restructuring proposals being presented at this meeting. In particular, they include the staffing and central overhead cost implications of the approved savings proposals agreed by Council to meet the capping requirements. The relevant approved increases in budgets are also incorporated. Any changes approved at this meeting could be added

in to these estimates and still recharged to services. Any later staffing adjustments could be subsequently added to the estimates, but the costs or reductions would remain unallocated to services until the Revised Estimates are completed in December 2006.

8. These estimates reflect the costs of the current staff structure, with adjustments for approved savings. All fixed term posts have been included in the estimates to the end of the approved period only. No account has been made of possible future changes arising from the Transformation Project.

Considerations

INFLATION AND PAY AWARDS

9. In 2005-06, there was a pay award of 2.9% and provision for inflation of 2½%. In 2006-07, a provision of 2½% has been applied to cover both the annual pay award and inflation on expenditure generally. These provisions are in line with government targets and the underlying inflation in September 2005. Further provision is made for increases in local government pension costs (see paragraph 16 below).

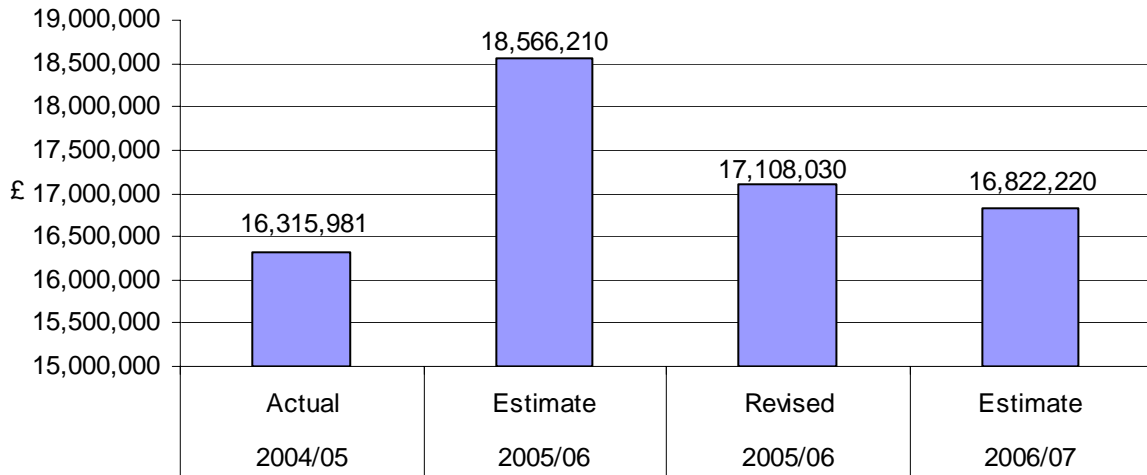
REVENUE ESTIMATES: REVISED 2005-06 AND ESTIMATES 2006-07

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

TOTAL RECHARGEABLE CENTRAL COSTS

11. All costs of the staffing and central overheads are recharged both between these accounts and to all the services of the Council.
12. The rechargeable expenditure has a significant impact on the total revenue expenditure of each service. The net estimated expenditure to be recharged to services in 2006-07 is £16.822m, which is £1.744m (9%) less than the original estimate for 2005-06 and £0.507 (3%) more than the 2004-05 actual expenditure. The 2005-06 revised figure of £17.108m is £1.458m (8%) less than the original estimate and £0.793m (5%) more than the 2004-05 actual expenditure. These comparisons are shown diagrammatically below:

TOTAL RECHARGEABLE CENTRAL COSTS



13. The net costs to be recharged have also been analysed on Appendix A, as a memorandum note, to show that capital charges are £103,080 lower in the Revised 2005-06 and £83,770 lower in the Original 2006-07 estimates. Although capital charges must be included in recharges to services, they are reversed out on the General Fund summary, so they do not affect the level of council tax. However, it should be noted that the capital charges are generated as a result of capital expenditure, which will reduce interest due on the Council balances. The decrease in capital charges is specifically due to ICT capital expenditure.
14. The Total Central Rechargeable Costs are made up of Staffing Costs, which are referred to in paragraphs 15 to 29, and Central Overheads, which are dealt with in paragraphs 30 to 35.

STAFFING (DEPARTMENTAL) COSTS (including all ICT costs)

15. Provision was made in the 2005-06 original estimates for a local pay award from April 2005 of 3% for all staff. The revised estimates include the actual award of 2.9%. The estimates for 2006-07 provide for a pay award of 2.5% for all staff.
16. Provision has also been made for a further increase of 2.1% in the employer's pension contribution rate, from 11.2% to 13.3%, with effect from April 2006. 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 2006-07, 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. It is estimated that the cost of this incremental drift could be in excess of £200k in 2006-07, almost all of which would fall on the General Fund services. This increase, and those falling in future years has not been included in the financial strategy of the Council, but it appears that other additional savings may have covered the majority of this increase (see paragraph 47).

17. The net estimated staffing expenditure in 2006-07 is £14.573m, which is £1.533m (10%) less than the original estimate for 2005-06 and £0.790m (6%) more than the 2004-05 actual expenditure. The 2005-06 revised figure of £14.813m is £1.293m (8%) less than the original estimate and £1.030m (7%) more than the 2004-05 actual expenditure.
18. The staffing costs have been analysed by portfolio rather than Departments 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 and Staffing Portfolio Holder and can be made available to other Members on request.
19. The following table shows a comparison by portfolio of the original Estimate 2005-06 with both the Revised Estimate 2005-06 and the Estimate 2006-07.

<u>Departmental Costs by Portfolio</u>	Estimate 2005-06 £	Revised 2005-06 £	Estimate 2006-07 £
Resources and Staffing	3,682,030	- 118,170	- 1,620
Information and Customer Services	3,696,180	- 382,700	- 807,340
Environmental Health	1,841,230	- 83,330	+ 63,190
Housing	2,756,860	- 208,840	- 347,080
Planning and Econ. Development	2,831,990	- 304,080	- 247,670
Conservation, Sustainability and C.P	425,460	- 12,170	+ 19,990
Community Development	872,790	- 184,060	- 212,090
TOTAL	16,106,540	- 1,293,350	- 1,532,620

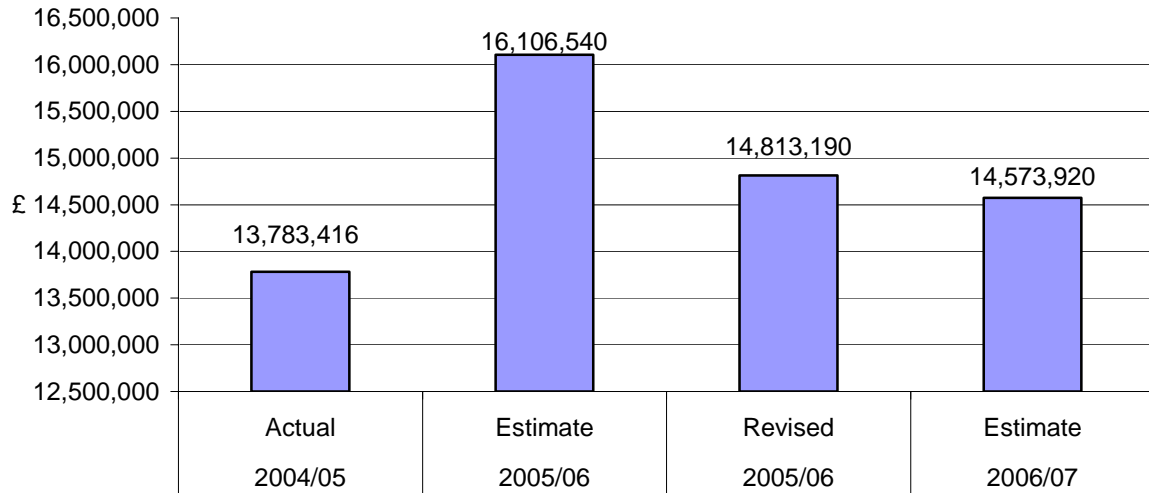
Overall figures 16,106,540 14,813,190 14,573,920

20. The staffing costs (including all ICT costs) may also be analysed by Department, to reflect the responsibilities of the Chief Officers. 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 current departmental structure.

Departmental Costs by Dept	Estimate 2005-06 £	Revised 2005-06 £	Estimate 2006-07 £
Chief Executive	1,509,120	- 195,040	- 186,540
Finance and Resources (exc. ICT)	3,523,660	- 89,660	- 30,490
ICT	3,296,560	- 352,690	- 773,490
Housing and Env. Services	4,248,360	- 200,400	- 203,850
Development Services	3,528,840	- 455,560	- 338,250
Total	16,106,540	- 1,293,350	- 1,532,620

21. The overall staffing figures are shown diagrammatically below:

STAFFING (DEPARTMENTAL) COSTS



22. Comments on the figures for each portfolio are set out in paragraphs 23 to 29. Note that with reference to the progressive increases in payroll costs in paragraph 16 (up to 8%) and the inflation allowance on other costs (2.5%), the expected overall increase on the department accounts without any change would be around 6%.
23. **Resources and Staffing:**
 Numerous significant agreed reductions have been applied in the estimates for Land Charges, Legal, Accountancy, Human Resources and Payroll, Cambridge Office, Benefits and Cashiers within the Finance and Resources Department and Policy Performance in the Chief Executive's Department. These have resulted in the removal of 9½ posts. However, approval was also given to the appointment of three revenues staff and also a Legal Assistant, who will be employed to reduce the external legal fees within the Planning Portfolio. In the current year, there were also additional costs relating to the council tax rebilling. The very small overall reduction in 2006-07 is mainly due to the high effect of annual salary increments in most areas of the Finance and Resources and Chief Executive's departments.
24. **Information and Customer Services:**
 The reductions are mostly in the area of ICT. The largest savings arise from not extending fixed term posts, the removal of two permanent posts, bringing the Serco contract in-house and reductions in costs of E-government requirements and Phase I of the Contact Centre. In the current year, one-off savings have occurred through slippage on Phase II of the Contact Centre and the non-recruitment to two posts. However, there is also additional ICT expenditure of £60,900 in 2005-06 approved as a rollover from 2004-05. In both Democratic Services and Electoral Services there were net reductions of half a post. It should also be noted that lower capital charges on ICT contributed significantly to the reduced figures. They were lower by £146,090 in 2005-06 and £117,340 in 2006-07. These are not savings, as the amounts are added back in the General Fund summary (see paragraph 13).

25. **Environmental Health:**

The lower cost in the current year is mainly due to delaying the recruitment of vacant posts. Savings in both years also result from the deletion of one Pest Control post, the non-renewal of two fixed term posts in the Home Improvement Agency and other miscellaneous reductions. These reductions are partly offset by an accounting change to move the costs of one member of staff from the DSO. In 2006-07, there is an increase of £63,190 in expenditure compared with the 2005-06 original estimate. This is due to inflation, the cost of salary increments and the transferred member of staff.

26. **Housing:**

A restructuring of the Housing Development Team in the Development Services department resulted in two less posts and 60% outside funding of another. These create annual savings of around £85,000 in 2005-06 and £95,000 in 2006-07 for the General Fund. The balance of the reductions originates from the Housing Department in relation to the restructuring of Shire Homes and will almost exclusively affect the Housing Revenue Account. However, when the Housing estimates were finally completed last year, £160,000 of savings (where posts were not to be filled) was already anticipated within the Housing Revenue Account for 2005-06, so that account will in fact be overspent this year in respect of this departmental expenditure. The overspending is mainly due to the cost of redundancies in the current year. In 2006-07, the estimated *total* cost and allocation to services of Shire Homes is intended to reflect the final cost position, although the exact details of individual posts are still being finalised.

27. **Planning and Economic Development:**

Four vacant posts in the Building Control division of Development Services have been removed from the estimates and the direct costs of one post are being funded from Cambridge Horizons, resulting in approved savings in both years. The remainder of the £304,080 saving in 2005-06 is mainly due to vacant posts that either have or will be filled. Provision continues to be made for officers who are to be funded from Planning Delivery Grant, but only until the end of the approved period for fixed term contracts, resulting in a reduction of £81,000 in 2006-07, compared with the original 2005-06 estimates. Only the expenditure is shown in these estimates, with the grant income being included in the portfolio service estimates. In 2006-07, the Street Naming Officer post has been reduced to part-time. Also in 2006-07, expenditure and income has been included for the additional post of Senior Officer Northstowe, but this is on the understanding that it will be filled only when Cambridgeshire Horizons confirms the funding. There is a further saving in 2006-07 of £77,000 due to temporary and agency staff required for one-off scanning work being removed from the base estimates.

28. **Conservation, Sustainability and Community Planning:**

There were no staffing reductions in Conservation or Sustainability. In Conservation, the estimates now include the additional posts of Landscape Assistant, to be funded from Planning Delivery Grant, and Urban Designer, on the understanding that it will be filled only when Cambridgeshire Horizons confirms the funding. In Community Services, one of the two vacant posts aimed at developing community facilities for Northstowe and other growth areas has been removed from the estimates, but if funding were subsequently found from Cambridgeshire Horizons, the post could be reinstated. However, it should be noted that, although this post will reduce the recharges to this portfolio, the reduction in staffing costs is in fact included within the Community Development figures below, because Community Services staff are accounted for under that portfolio.

29. **Community Development:**
In addition to the post referred to in the previous paragraph, the Community Services posts are being reduced by 5.8 full time equivalents, being three vacant posts, two redundancies and two posts with reduced hours. The revised estimate 2005-06, which has reduced by £184,060 compared with the original estimate, includes a further saving of £33,000 in respect of the vacancy for most of the year of the second growth area post (see previous paragraph). This extra saving, which was not included in the savings proposals, will reduce recharges to the Conservation, Sustainability and Community Planning Portfolio.

CENTRAL OVERHEADS

30. **South Cambridgeshire Hall, Station Road and Oakington Offices:**
There have been no costs since vacating these premises in 2004-05.
31. **Waterbeach Depot:**
In 2005-06, additional costs of £8,000 have now been included for legal fees in respect of the lease agreement. A rollover of up to £20,000 was approved for this purpose.
32. **Cambourne Office:**
In both years there are more savings in addition to the approved reductions, particularly in relation to the costs of telephones, energy and rates. Overall, the Cambourne costs reduce by £123,450 in the 2005-06 revised estimates and £133,880 in the 2006-07 estimates. The extra savings have fully compensated for some lower than anticipated savings arising in a small number of other areas.
33. **Cambridge Office:**
Although the cost of using the premises has not diminished, due to the service being provided by the City Council, there is an annual saving on the staff costs, which are within the resources and staffing portfolio staffing estimates (see paragraph 23 above).
34. **Central Expenses:**
Central training has been reduced by £28,000 and the cash security service has been removed. Also, employee related insurance is £16,080 lower in the current year and £10,790 lower in 2006-07.
35. **Central Support Services:**
The direct central support costs have decreased due to savings in stationery, printing and charging for drinks machines. However, the overall fall in expenditure is mainly due to a reduction of recharges allocated to this area from the Finance and Resources Department (by £78,540 in 2005-06 and £130,060 in 2006-07). This arises from the removal of all staff from the Cambridge Office.

RECHARGES TO SERVICES

36. 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.
37. The revised estimate of recharges to General Fund services amounts to £13,388m, which is £1.165m less than the original estimate. In 2006-07, the estimated figure is £13,481m, which is £1.072m less than the 2005-06 original estimate. However, an element of these reductions is due to lower capital charges, which will be added back in the final general fund summary. A comparison of the General Fund recharges with

a calculated figure using the original estimate adjusted for the effects of the savings exercise is made on Appendix B. The conclusion is described in paragraph 47.

38. The revised estimate of recharges to the Housing Revenue Account amounts to £2,956m, which is £0.156m less than the original estimate. In 2006-07, the estimated figure is £2,666m, which is £0.446m less than the 2005-06 original estimate.

CAPITAL ESTIMATES: REVISED 2005-06 AND ESTIMATES 2006- 07 TO 2008- 09

39. 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 relate to the new Cambourne offices and ICT Development (including CASCADE).
40. Comments concerning the items in the programme are included in the notes to **Appendix C**.

Financial Implications

41. 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.
42. 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, Staffing and Risk Management Implications

43. There are no additional implications. The staffing and central overhead estimates show the financial effects of decisions that have already been made.

Consultations

44. The cost centre managers in all departments, 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.

Conclusions/Summary

45. These estimates form only the first part of the estimate process. The recommended savings and spending relevant to the departmental and central overhead accounts have been incorporated and all areas reviewed in detail.
46. The overall revised revenue estimate in this area for 2005-06 amounts to £17.108m, which is £1.458m (8%) less than the original, and the figure for 2006-07 is £16.822m, which is £1.204m (7%) less. The decreases are mainly due to the savings decisions to meet the capping requirements.
47. On **Appendix B**, the estimated recharges to be made to General Fund services is compared with a calculated figure using the original estimate adjusted for the effects of the savings exercise. This results in a very close comparison in both years. In 2005-06, the revised figure is £89,660 (0.66%) within the savings target. If approved rollovers had been allowed for in the savings exercise, this would have been a further

£108,900 within the target. In 2006-07, the estimate is £92,510 (0.69%) outside the savings target. Considering the scale of this expenditure, this is considered to be within acceptable limits. Of course, these estimates form only part of the 2006-07 budget. Portfolio Holders will be considering service estimates separately. The final outcome for the General Fund will not be confirmed until the estimates are brought together in February.

48. The part of the capital programme relating to central accounts is set out in **Appendix C**.

Recommendations

49. Members are requested to:
- (a) confirm the inflation figure of 2½% both for general expenditure and pay awards, on which all the estimates are being prepared (paragraph 9): and
 - (b) approve the revenue estimates and recharges as presented and shown at **Appendix A and Appendix B**; and
 - (c) 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 of the Finance and Resources Department
Detailed estimates pack.

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