

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Community Development Portfolio Holder 25 January 2007

AUTHOR/S: Scrutiny Panel Chief Executive/Principal Accountant (General Fund and Costing) 1 February 2007

REVENUE AND CAPITAL ESTIMATES FOR THE COMMUNITY DEVELOPMENT PORTFOLIO

Purpose

1. To consider the Revenue Estimates up to the year 2007-08 and the Capital Programme up to 2009-10.

Background

2. The estimates for the Community Development Portfolio form part of the overall considerations for the Council's annual budget setting exercise and include the following services:
 - Community Development
 - Sports Development
 - Arts Development
 - Museums
 - Milton Country Park
 - Community Safety
 - Illegal Encampments
 - Travellers Sites
3. The Cabinet approved the Staffing and Central Overhead Estimates on 14 December 2006. 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 reflect the new corporate manager structure, in that recharges are now analysed in terms of the new services with effect from the revised estimates 2006-07 onwards, rather than in the old department structure. As these recharges have already been approved, they cannot be amended by individual portfolio holders.
4. The estimates for each portfolio are being reported to the relevant Portfolio Holder. Subsequently, it is intended that all the portfolio estimates will then be examined by a scrutiny panel consisting of the Leader of the Council, together with the Chairman and Vice-Chairman of the Scrutiny and Overview Committee and the Resources, Staffing, Information and Customer Services Portfolio Holder. The summary estimates will then be considered by the Cabinet on 8 February and finally, by the Council on the 22 February for confirmation of the estimates and levels of the Council Tax and Rents.
5. Only the revenue summary (**Appendix A**), together with the capital programme (**Appendix B**), have been included within the main body of the agenda to concentrate attention on the overall position. The detailed estimates will be available to the Portfolio Holder and the Scrutiny Panel and, in due course, to all Members for information.

6. As a significant amount of expenditure within this Portfolio relates to grants to other organisations, the relevant grant details are also included in **Appendix C** for additional information. Annual allocations for the revenue grants are included in the detailed revenue estimates, whilst the capital grant allocations are in the capital programme only.
7. Provisions for increased expenditure of 2.5% have been applied throughout the estimates for general inflation. However, additional provision was made for staff salaries and wages, to account for the rising cost of pension contributions.
8. Where applicable, the estimates of each portfolio incorporate the approved savings and additional expenditure proposals that were agreed by Council in October and November 2006. 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 'Precautionary Items', which were reduced to just eight items last year; these 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 8 February 2007. However, none has been identified within this Portfolio.

Considerations

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

10. A summary of the revenue estimates for this Portfolio is shown at **Appendix A**. The total estimates have been analysed between direct costs, capital charges 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 2006-07 original estimates, the net direct costs increased by £24,870 (5.6%) in the Revised Estimates and decreased by £56,400 (12.7%) in the 2007-08 Estimates. The increase in 2006-07 is mainly due to the deferment of the introduction of car park charges at Milton Country Park. The decrease in 2007-08 arises from the application of the approved savings.
11. The **Appendix A** also shows a net direct costs comparison for 2007-08, between the 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 2006-07 estimates and adjusting for the approved savings, approved additional expenditure and inflation. The result is that the 2007-08 Estimate is inside the target by £430; however, the Revised 2006-07 Estimate is above the adjusted original estimate by £26,790, mainly due to the £30,000 reduced estimate of car park income arising from the deferment of the introduction of car park charges.
12. Comments on the individual estimate headings are given in the following paragraphs. All comparisons therein are made with the original 2006-07 estimates. The 2007-08 direct cost estimates included an inflation allowance of 2.5%. A general overview of recharges is given in paragraph 21.

13. Community Development:
- (a) The revised 2006-07 estimates result in an increase of £9,460. This is due to higher recharges of £11,380, partly offset by a virement of £1,920 to the staffing accounts. The increased recharges are mainly due to the cessation of the part-time secondment of the Community Development Manager.
 - (b) There is also an increase in the 2007-08 estimates, amounting to £43,230. The additional expenditure proposal of £25,000 for Growth Area Development, to be used to establish the Northstowe Trust, has been included (see Appendix A). The remainder of the increase in 2007-08 is due to higher recharges and inflation.
 - (c) Phased Section 106 contributions from Gallagher Estates are being used for the development of Arbury Park. Provision for matching expenditure and income has been made in both years. Therefore, the transactions do not affect the net expenditure of the Council.
 - (d) For the current year, Growth Area Development expenditure in respect of Northstowe and the Southern Fringe has been included and shown as fully funded by Cambridge Horizons and other partners.
 - (e) Although the 2007-08 estimate provision for growth consultants has been limited to £10,000 plus inflation, the Cultural Services Manager has commented that this is likely to be seriously deficient, due to numerous initiatives needing consultancy work, including specialists to monitor delivery of facilities at other small developments, in addition to the main growth areas. The additional work would need to be funded from other sources.
14. Sports Development:
There is only minimal movement in both years, with direct costs continued at the original level in real terms.
15. Arts Development:
- (a) The revised 2006-07 estimate has decreased due to lower recharges, arising from lower allocations of time by Cultural Services staff.
 - (b) In 2007-08, the approved saving of £20,000 has been applied and the recharges continue to decrease.
 - (c) Phased Section 106 contributions from Gallagher Estates and also Arts and Business are being used for the development of Arbury Park. As above, provision for matching expenditure and income has been made, so the transactions do not affect the net expenditure of the Council.
16. Museums:
The decrease in 2007-08 is due to the approved saving of £8,000 being applied to the original estimate and the inflation allowance added.
17. Milton Country Park:
- (a) Notwithstanding the decision of the Cabinet that an appropriate outside organisation be sought to take on by 31 August 2007 the management and possible ownership of the park and the possibility that steps may be taken to close the park, the only practical approach to producing the estimates at this very early stage was to make no changes to the current approved overall financial provision. Therefore, the estimates assume the figures required to maintain the park throughout the period, but with the approved savings of £75,000 in 2007-08.
 - (b) The overall expenditure totals for the park show reductions of £24,620 for the revised 2006-07 estimate and £127,400 for the 2007-08 estimate. However, although the latter is mostly due to £75,000 of direct savings, other factors

have resulted in a more favourable effect on the expenditure allocated to the park.

- (c) An accounting change to the calculation of capital charges, which should be applied throughout local government, has resulted in a reduction of £35,650 in 2006-07 and £37,510 in 2007-08. However, this is an internal accounting charge for the use of assets at the park, but it has no overall effect on Council Tax.
 - (d) Recharges to the park reduced by £14,240 in 2006-07 and £26,650 in 2007-08. Savings on ranger costs of £12,600 (before adding allowances for pay inflation) were applied to these in 2007-08. Otherwise, these reductions arise from savings elsewhere in the overhead accounts and changes in officer allocations of time (see paragraph 21).
 - (e) Stripping out the effect of capital charges and recharges, the remainder of the expenditure and income is in respect of direct costs.
 - (i) In 2006-07, there is an increase in the direct costs of £25,270. This is due to the Cabinet decision to defer the introduction of car parking charges. The implementation of the charges is now imminent, but the original estimates were based on the original intention to charge with effect from April 2006. The reduction in car parking income amounts to £30,000, but some savings have been made in the other park expenditure to offset this shortfall.
 - (ii) In 2007-08, compared with the original 2006-07 estimate, there is a decrease in the estimated direct costs of £63,240, to meet the approved savings. There are other park savings applied to the staffing accounts that bring the total savings up to the quoted figure of £75,000. However, not all have these have been specifically identified. In particular, a figure of £18,560, described in the detailed estimates as 'savings still to be identified/funds to be raised', has been included as a balancing item at this stage.
18. Community Safety:
- (a) The decrease of £22,060 in 2006-7 is due to both lower recharges and a higher charge to the Crime and Disorder Partnership and government agency for the direct costs of the Anti-Social Behaviour Caseworker and Partnership Support Officer. The recharge reduction was partly due to the absence of the Community Safety Officer.
 - (b) In 2007-08, the recharges net of the partnership charge are up to previous levels, due to the return of the Community Safety Officer.
 - (c) The direct expenditure in both years is maintained at the original levels in real terms.
19. Illegal Encampments:
This expenditure now consists of recharges only.
20. Travellers Sites:
In the current year, there is a net increase in direct costs of £2,090 on this service account. However, taking into account the decrease in the staffing budget and the level of recharges to the County Council, there is no increase in the Council's budgets overall on this service. In 2007-08, the direct expenditure is maintained at the current level.
21. Recharges from Staffing and Overhead Accounts - Central, Departmental and Support Services (see estimates report to Cabinet 14 December 2006):
- (a) The estimated recharges from Staffing and Overhead Accounts to this portfolio decreased by £16,400 (2.3%) from £710,520 in the original 2006-07

Estimate to £694,120 in the 2007-08 Estimate. The 2006-07 Revised Estimate of £670,550 is £39,970 (5.6%) lower than the original estimate. This 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, administrative buildings (mainly Camborne Offices), Central Expenses and Central Support Services. Over the whole Council, these costs to be recharged have reduced from £16.8m in the Original Estimates 2006-07 to £15.9m in the Revised Estimates 2006-07 and £16.6m in the Estimates 2007-08. These are reductions of £0.9m (5.4%) and £0.2m (1.2%) respectively. The biggest factor in these reduced recharges in both years was the change in the application of capital charges (which in fact has no effect on Council Tax). Without this change, the recharges would have increased in 2007-08, mainly due to the salary costs of individual officers increasing by 4.6% (pay award and pension costs) and a further 3.4% if a salary increment applies.
- (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.

CAPITAL ESTIMATES: REVISED 2006-07 AND ESTIMATES 2007-08 TO 2009-10

- 22. The capital programme for this portfolio, which is attached at **Appendix B**, comprises of allocations of grant expenditure relating to Dual Use, Village Sports and Community Facilities and Arts Capital Grants. Reductions totalling £100,000 have been made in the Revised 2006-07 estimates, as submitted to Cabinet in November 2006. These are £50,000 from Community Facilities and £25,000 from each of Village Sports Facilities and Arts Capital Grants. The provision for Dual Use ends in 2007-08. The others are continued from 2007-08 as indicated in the original capital programme, but without any inflation allowance in 2009-10. It should be noted, however, that restrictions on capital expenditure are inevitable within the next few years, as the capital receipts available for funding are reducing rapidly.
- 23. In addition to the annual budget allocations, the programme also shows the uncommitted capital balances brought forward from the previous year, which are available for spending in the current year, or in future years, provided Members continue to carry forward the capital balances.
- 24. In order that all significant capital items may be evaluated consistently throughout the Council, those items in the capital programme in 2007-08 or later that are over £25,000 in value are subject to the completion of a proposal form, for consideration alongside the capital programme being approved. Accordingly, the four relevant proposal forms for this portfolio are attached at **Appendix D (1-4)**.

BALANCES IN RESERVES

- 25. The uncommitted balances held in reserves in respect of grants are shown in **Appendix C**, for information only. The balances will be reported to the Portfolio Holder early in the new financial year, when it may be possible to carry forward uncommitted balances, but subject to full Council approval in cases over two years old.

Implications

26. Financial:
- (a) The estimates for the General Fund Services of the Community Development 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.

27. 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

28. 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 Annual Priorities and Corporate Objectives

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

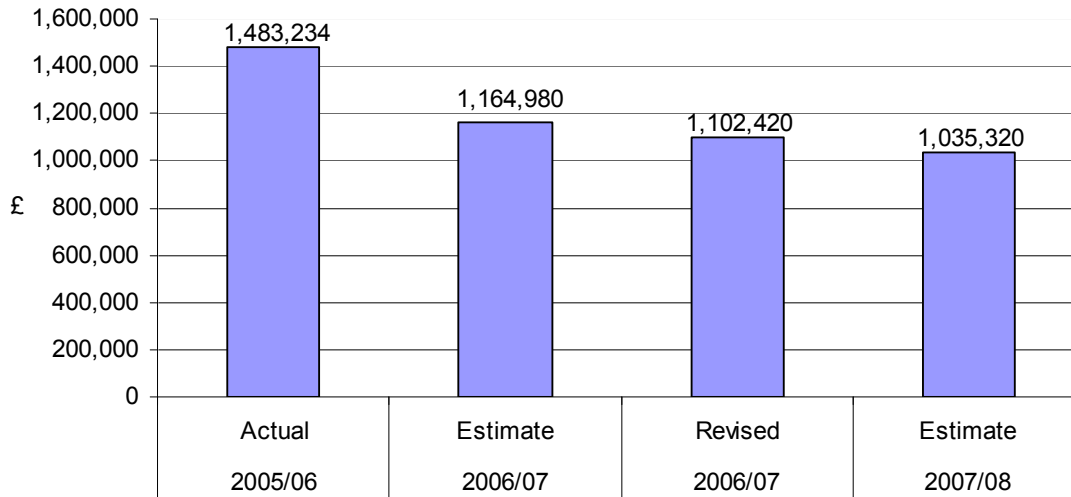
Conclusions/Summary

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

Year	Amount £	£	Increase %
2005-06 Actual	1,483,234		
		- 318,254	- 21%
2006-07 Estimate	1,164,980		
		- 62,560	- 5%
2006-07 Revised	1,102,420	- 129,660	- 11%
		-67,100	- 6%
2007-08 Estimate	1,035,320		

These comparisons are shown diagrammatically below:

COMMUNITY DEVELOPMENT PORTFOLIO



31. The decrease in expenditure from 2005-06 to the 2006-07 original estimate of £318,254 consisted mainly of a decrease in recharges of £138,737 and direct costs by £175,526. These reductions were made as a result of the need to cut expenditure to meet the constraints imposed by capping. Some savings had been found in 2005-06, the majority within this portfolio being credits for the one-off return of provisions from reserves arising from unclaimed grants, but £400,000 of cuts to direct costs were applied in 2006-07.
32. The reduction of £62,560 in the revised 2006-07 estimate compared with the original estimate in 2006-07 was mainly due to reductions of £39,970 on recharges and £35,650 on capital charges.
33. There was a decrease of £129,660 in 2007-08 compared with the original estimate in 2006-07. This was largely as a result of the direct cost savings listed in Appendix A less inflation on all other costs, but there were also further reductions in capital charges and recharges.
34. 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 2007-08 Estimates are within the required target after applying the approved savings; however, the Revised 2006-07 Estimate is above the adjusted original estimate by £26,790, mainly due to the £30,000 reduced estimate of car park income arising from the deferment of the introduction of car park charges.

Recommendations

35. The Portfolio Holder for Community Development is requested to:
 - (a) confirm the proposals for capital expenditure shown at **Appendix D**, for inclusion in the capital programme.
 - (b) endorse the Revenue Estimates and Capital Programme shown at **Appendices A and B** and recommend them for consideration by the Cabinet.

36. The Scrutiny Panel is requested to review the Revenue and Capital Estimates of the Community Development Portfolio, before 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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