

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Finance Portfolio 20 January 2009
AUTHOR/S: Chief Executive / Principal Accountant (Finance and Systems)

REVENUE AND CAPITAL ESTIMATES FOR THE FINANCE PORTFOLIO

Purpose

1. To consider the Revenue Estimates up to the year 2009-10.
2. This is not a key decision. However, the report presents the relevant 2008-09 revised and 2009-10 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 2009.

Background

3. The estimates for the Finance 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
 - Corporate Management- Grant Funded
 - Land Charges
 - Treasury Management
 - Cost of NNDR Collection
 - Discretionary NNDR Relief
 - Cost of Council Tax Collection
 - Miscellaneous
 - Elections
 - Register of Electors
 - Democratic Representation
 - Conferences

The previous heading of Policy and Performance is now included within the Policy, Improvement and Communications Portfolio.

4. The Cabinet approved the Staffing and Central Overhead Estimates on 11 December 2008. 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 projected service structure approved by Cabinet in September. However, the new officer structure cannot be reflected in the comparative recharge figures, so these will be shown only in total on each service. 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 5 February, consideration by the Cabinet on 12

February, and finally, presentation to the Council on the 26 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 inflation in the Medium Term Financial Strategy remains as the overriding level of inflation provision.
8. Where applicable, the estimates of each portfolio incorporate the approved bids agreed by Cabinet on 11 December 2008 and all other expenditure approvals made up to that date. They also take account of any virement made during the year, rollover of budget from the previous year and efficiency savings.
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 12 February 2009; one item relating to Elections (paragraph 24) has been identified within this Portfolio.

Considerations

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, partnership costs are offset overall across the Council and the capital charges are notional charges that do not affect the overall expenditure of the Council. Compared with the 2008-09 original estimates, the net direct costs decreased by £94,090 in the Revised Estimates and by £86,040 in the 2009-10 Estimates. The decreases in 2008-09 and 2009-10 arise from a combination of increased income, savings and changing service requirements details of which are discussed more fully in the following paragraphs.
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 2008-09 estimates and adjusting for any virement, approved additional expenditure and, for next year, inflation. The result is that the Revised 2008-09 and 2009-10 Estimates are £100,160 and £79,840 respectively within the target.
12. Comments on the individual estimate headings are given in the following paragraphs. All comparisons therein are made with the original 2008-09 estimates. All the 2009-10 estimates include an element of inflation. 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 Portfolio, except for those of Bed and Breakfast, which are recharged to Homelessness, within the Housing Portfolio.

- (b) Subsidy from the DWP on benefit payments is expected to be over £26m in 2009-10. The subsidy is mainly 100% of payments, but the calculation is complex and depends on factors that are constantly changing. Some changes in the benefits regulations are due to be implemented in October 2009. It has been anticipated that this and the economic downturn should increase total benefit payments. However, it is assumed that the overall percentage return on subsidy should not change.
 - (c) Compared with the original 2008-09 estimates, the Benefits Holding Account shows a reduction of £71,990 in the 2008-09 revised estimates and an increase of £16,630 in the 2009-10 estimates.
 - (d) In the current year, the reduction is mainly due to increased provision for subsidy and debtor account income through higher recovery of overpayments, partly offset by higher recharges.
 - (e) In 2009-10, provision for the higher overall levels of subsidy has been continued and debtor account income is also anticipated to be higher than in the original 2008-09 estimates. However, the higher recharges and much lower DWP benefit administration grant more than offset these savings. This administration grant reduction was £41,829, 6.5% in cash terms. The DWP has reiterated that the administration grant will continue to reduce nationally by 5% in real terms year on year for the two years to 2010-11.
 - (f) Excluding recharges, administration grant and changes in respect of virement and Bed and Breakfast costs, Benefits Holding Account anticipated savings amount to £102,150 in 2008-09 and £67,540 in 2009-10.
14. Council Tax Benefit (from Holding Account above)
Council Tax Benefit net expenditure increases by £10,270 in the 2008-09 revised estimates and £26,250 in the 2009-10 estimates. These are due to higher allocations of net administration costs, particularly in 2009-10, when the administration grant will be reduced.
15. Rent Allowances (from Holding Account above)
Rent Allowances net expenditure reduces by £66,300 in the 2008-09 revised estimates and £5,000 in the 2009-10 estimates. There is noticeably higher income from the recovery of overpayments and significantly improved returns from subsidy in both years. These savings are partly offset by higher allocations of administration, particularly in 2009-10, when a further caseload increase of 10% is anticipated and the administration grant is lower.
16. Rent Rebates -Council Dwellings (from Holding Account above)
Rent Rebates net expenditure reduces by £13,560 in the 2008-09 revised estimates and £2,220 in the 2009-10 estimates. These small reductions are mainly due to some higher income from the recovery of overpayments and slightly improved returns from subsidy. There is minimal effect from the increasing overall administration costs because the caseload remains constant, whereas Rent Allowance and Council Tax Rebate caseloads are increasing.

17. Corporate Management

When compared to the original 2008-09 estimates, Corporate Management shows an increase of £5,970 in the revised estimates and £71,350 in the 2009-10 estimates.

- (a) The estimated recharges from Staffing and Overhead Accounts to Corporate Management increased by £91,030 from £738,440 in the original 2008-09 estimate to £829,470 in the revised 2008-09 estimate and by £175,170 to £913,610 on the 2009-10 estimate. This increase has been offset by a reduction in direct costs of £38,550 in the 2008-09 revised estimates and £36,930 in the 2009-10 estimates.
- (b) The Consultants heading of the revised 2008-09 estimates has been adjusted to include £6,800 approved rollover from 2007-08 for commitments in the continuing Values Project. However, a review of corporate consultant requirements has resulted in a revised estimate reduction of £20,880 and £12,080 in the 2009-10 estimate compared to the original 2008-09 estimates. £2,000 of the reduced Consultants budget has been approved as virement to fund asset valuation within Finance Miscellaneous Services.
- (c) The original 2008-09 estimates over-estimated the external audit claims charges for the year by £10,280; the revised estimate 2008-09 is amended to reflect this.
- (d) Savings on bank charges of £4,500 have been achieved primarily due to a decrease in the cost of processing cheques associated with an increase in the number of transactions made by debit card or direct debit.
- (e) The Housing Revenue Account is recharged for a proportion of the costs of Corporate Management; the increase in the revised 2008-09 estimates and 2009-10 estimates reflects the overall increase in expenditure, primarily due to the increase in Staffing and Overhead Accounts as indicated above.

18. Land Charges

The current economic downturn has had a dramatic impact on this service in terms of fee earning income. It was reported to Cabinet (13 November 2008) that there was a projected net over spend on the working budget on this service of circa £67,000, the Staffing and Overhead Recharges in the revised 2008-09 estimates have decreased by £37,200 leading to the revised deficit estimate for the year of £36,760, an increase of £29,730 when compared to the original 2008-09 estimate. The instability in the property market along with Government reform in the way land charge search fees are set has led to uncertainty with regard to fee income over the next financial year.

- (a) The number of County Council searches in 2008-09 is lower than anticipated and is expected to remain at current levels in 2009-10 resulting in a decrease in the revised estimate, the 2009-10 estimate has, therefore, been set to reflect an inflation increase of 2.5% and the same number of searches.
- (b) The decrease in the revised 2008-09 estimates for land charge fees reflects the reduced demand for direct searches exceeding the fall predicted in the January 2008 estimate report. The decrease is due to the impact of personal search agencies and private companies, resulting in a fall in direct search requests to the authority. When compared to the original 2008-09 estimates,

Land Charge fees show a decrease of £103,900 (29.8%) in the revised estimates and also in the 2009-10 estimates.

- (c) The Department for Constitutional Affairs (DCA) has consulted on Personal Searches of the Local Land Charges Register, changes proposed will require the Council as a registered authority to calculate and publish their own fees for a personal search of the local land charges register up to cost recovery; there is currently a statutory fee of £11 set centrally by Government.
- (d) Consultation on new guidance for the setting of fees for local land charge services (Local Land Charges Act 1975, Section 13) has been completed, the guidance relates to charges currently determined by the Council. Changes include 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 will be 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.
- (e) If the level of property searches continues at current levels and proportional split then full recovery of relevant costs as indicated in Government guidance would require the Council to increase charges by approximately 18%. In consideration of the economic downturn the proposed Land Charges fee income budget for 2009-10 has not been increased assuming a continuance of the current charges and the number of applications, resulting in £44,200 under-recovery of direct costs.
- (f) 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, following the trend of the previous years, would increase the deficit currently indicated in the estimates.
- (g) Delays in receiving the relevant Government guidance and responses to the consultation process have prevented the full review of how the fees and charges for property searches are set, in time for these estimates.
- (h) The Land Charges section has been tasked with undergoing a full review of the revised process for the setting of fees and charges for property searches in readiness for 1st April 2009. These fees will then be reported to the Portfolio Holder and Cabinet for endorsement, should the review indicate a significant variance in budgeted income levels this information will be reported to the portfolio holder at that time.

The Medium Term Financial Strategy anticipated using the increase in Housing and Planning Delivery Grant to meet the shortfall in income from land charges, planning fees and building control resulting from the economic downturn but the increase in grant may not be sufficient.

19. Treasury Management

When compared to the original 2008-09 estimates, Treasury management shows an increase of £5,850 in the revised estimates and £6,960 in the 2009-10 estimates, this is mainly due to an increase in recharges from Central, Departmental and Support Services and marginal increases in the recharge to the Housing Revenue Account.

20. Cost of NNDR Collection

When compared to the original 2008-09 estimates, the Cost of NNDR Collection has decreased by £4,160 in the revised estimates and increased by £14,790 in the 2009-10 estimates, this is primarily due to a reduction of £6,840 in Staffing and Overhead Recharges (paragraph 27) in the revised estimate and an increase of £18,300 in 2009-10.

21. Discretionary NNDR Relief

The small increases in the revised 2008-09 and 2009-10 estimates when compared to the original 2008-09 estimates 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 £14,230 in the revised estimate 2008-09 when compared to the original estimate and £21,740 against the 2009-10 estimates. 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 2008-09 of £10,740 and of £21,050 in 2009-10 (Recharges, paragraph 27).

23. Miscellaneous

The revised 2008-09 estimate shows an increase in expenditure of £2,000 due to virement from Corporate Management to fund the asset revaluation of General Fund assets.

24. Elections

When compared with the original 2008-09 estimates the revised estimate 2008-09 reflects an additional County Council by-election and Parish Council election. Estimate variations include:

(a) Elections:

The decrease in the revised 2008-09 and original 2009-10 estimates are primarily due to increases in income and includes £7,500 reimbursed to the Authority in this financial year being the balance held in the Council's constituency parliamentary election bank account. This account is used to fund expenditure incurred from administering both the Parliamentary and European elections and has built up over previous years, the balance having been earmarked in anticipation of a parliamentary election in 2008-09.

(b) When compared with the original 2008-09 estimates the revised estimate 2008-09 reflects an additional County Council by-election and Parish Council election, reimbursement of the cost of these elections being reflected in the increased income for the year.

(c) County Council elections will be held in 2009-10, it is assumed that all costs, with the exception of recharged indirect costs, are recovered. This is reflected in the decrease of £97,850 in 2009-10 when compared to the original 2008-09 estimates.

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

25. Democratic Representation (Excluding Training)

When compared to the original 2008-09 estimates, Democratic Representation shows an increase of £19,240 in the revised estimates and £68,710 in the 2009-10 estimates, the increase being in part attributable to an increase in recharges of £17,090 and £56,180 respectively; other estimate variations include:

- (a) Expenditure under the heading of Computer equipment, software and services has been increased by 2.5% in the 2009-10 estimates due to a contractual agreement.
- (b) Expenditure for Member and Scrutiny Committee training, which includes mentoring and the Leadership Academy, and grant received from Building Capacity East (BCE)/ Improvement East, is shown in the estimates but reversed out as a recharge to the Environmental Services Portfolio there is, therefore, no impact on the net expenditure on this Portfolio.
- (c) Expenditure for computers for Members has been increased by £5,540 in the 2008-09 revised estimate when compared to the original estimate to reflect an approved rollover from 2007-08.
- (d) When compared to the original estimate 2008-09 Members Allowances have increased by £19,000 in the 2009-10 estimates reflecting a 3% inflation increase agreed by Members' Remuneration Panel (24 October 2008) and subject to Council approval on 29 January 2009 and, the full year effect of the additional allowance for the Northstowe Joint Development Control Committee Chairman and additional Cabinet member.
- (e) Members' Travelling, Subsistence and Refreshments expenditure in the revised 2008-09 and 2009-10 estimates has been decreased by £1,270 as an agreed efficiency saving.
- (f) The recharge to the Housing Revenue Account being a reflection of the expenditure charged to Democratic Representation has been proportionately increased.

26. Conferences

The expenditure previously shown under the heading of Conferences is now included as a direct cost to the relevant account.

27. Recharges from Staffing and Overhead Accounts - Central, Departmental and Support Services (see estimates report to Cabinet 11 December 2008):

- (a) The estimated recharges from Staffing and Overhead Accounts to this portfolio increased by £110,440 (2.6%) from £4,198,380 in the original 2008-09 estimate to £4,308,820 in the revised 2008-09 estimate. The 2009-10 estimate of £4,536,700 is £338,320 (8.1%) higher than the original 2008-09 estimates. 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 £17.959m in the original estimates 2008-09, £17.897m in the revised estimates 2008-09 and £18.876m in the estimates 2009-10. These equate to a decrease of £0.062m (-0.3%) in 2008-09 and an increase of £0.979m (5.5%) in 2009-10, when compared with the original estimate 2008-09. The increase above inflation in 2009-10 is mainly due to, firstly, the salary costs of individual officers increasing by 5.1% (additional pay awards and pension costs), and secondly, the costs of additional staff appointments, restructuring as agreed by Cabinet (September 2008) and other central costs approved by Cabinet as part of the bidding process.
- (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 2008-09 and Estimates 2009-10 to 2011-12

The only items in the capital programme relating to the Finance Portfolio, **Appendix C** are £50,000 for the provision of an overflow car park and £10,000 for improvements to the telephone system at Waterbeach depot, which were reported to Cabinet on 13 December 2007.

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.

30. Use of resources

The Use of Resources assessment requires an organisation to have a sound understanding of its costs. The costs per head of population 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 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	3.97	Not available
Council Tax Collection -Other	5.85	13 lowest out of 16	5.81	Not available

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. Financial	No additional implications. The estimates show the financial effect of decisions that have already been made.
Legal	As above
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 Corporate Objectives and Service Priorities

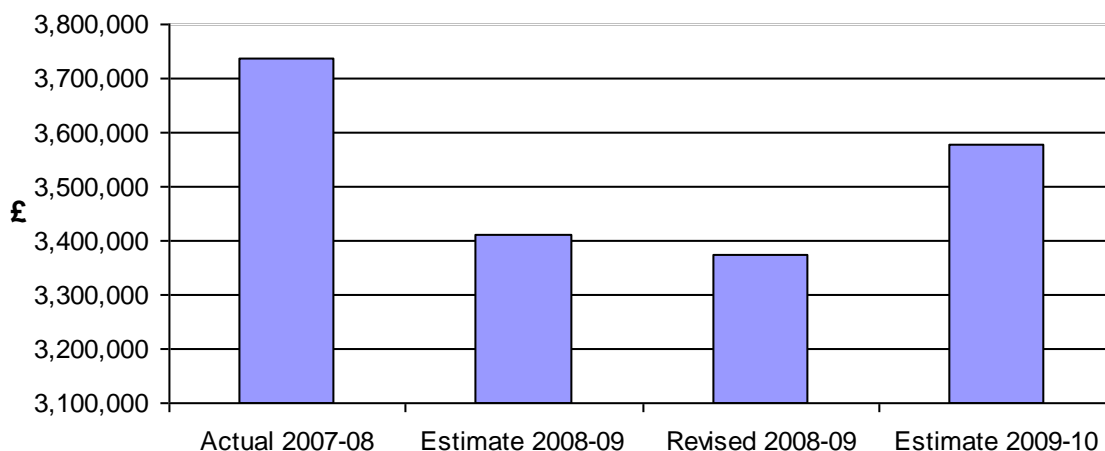
34. Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future	To determine detailed Finance Portfolio budgets to provide the resources for the Council to continue and improve its services to achieve its corporate objectives as far as possible within the current financial constraints.
Deliver high quality services that represent best value and are accessible to all our community	
Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work	

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 %
2007-08 Actual	3,738,615		
		-327,425	-8.76%
2008-09 Estimate	3,411,190		
		-37,450	-1.10%
2008-09 Revised	3,373,740	+165,280	+4.85%
		+202,730	+6.01%
2009-10 Estimate	3,576,470		

Finance Portfolio



36. The decrease in expenditure from 2007-08 to the 2008-09 original estimates of £327,425 is mainly due to non-recurring expenditure in 2007-08 where monies had been allocated for the Council Improvement Plan and grant on the transfer of ownership of Milton Country Park.
37. The decrease of £37,450 in the revised 2008-09 estimates compared to the original estimate in 2008-09 is due to a combination of factors; a decrease in net direct costs of £94,090 as discussed in paragraphs 13 to 26, a proportionate increase in Housing Revenue Account recharges of £48,710 for expenditure relating to Corporate Management and Democratic Representation Services and, increases of £110,440 in Staffing and Overhead Recharges.
38. There is an increase in expenditure of £202,730 in 2009-10 compared with the revised 2008-09 estimate due primarily to increases in Staffing and Overhead recharges of £227,880 partly offset by an increase in Housing Revenue Account recharges and a decrease in net direct costs through bank charge savings and reductions in consultants and legal cost budgets.
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 2009-10 Estimates is within the required target by £79,840, due to inflation not being applied in some areas, an in-year only increase in Election recoverable income of £113,680 and sundry service adjustments; the Revised 2008-09 Estimate is also within the required target estimate by £100,160.

Recommendations

40. The Portfolio Holder for Finance is requested to:
- (a) endorse the Revenue Estimates and Capital programme shown at **Appendices A and C** and recommend them for consideration by Cabinet.

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

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