

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: New Communities Portfolio Holder 26 January 2009

AUTHOR/S: Chief Executive / Principal Accountant (General Fund and Costing)

REVENUE AND CAPITAL ESTIMATES FOR THE NEW COMMUNITIES PORTFOLIO

Purpose

1. To consider the Revenue Estimates up to the year 2009-10 and the Capital Programme up to 2011-12.
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 New Communities 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
 - Sustainability
 - Economic development
 - Growth Agenda
 - Planning Policy
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**, whilst the capital programme is shown at **Appendix B**.
7. **Appendix C (1 – 4)** consists of capital proposal forms, for consideration alongside the capital programme being approved.

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 inflation in the Medium Term Financial Strategy remains as the overriding level of inflation provision.
9. 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 any efficiency saving.
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 12 February 2009. However, none has been identified within this Portfolio.

Considerations

REVENUE ESTIMATES: REVISED 2008-2009 AND ESTIMATES 2009-10

11. The revenue estimates for this Portfolio are 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 2008-09 original estimates, the net direct costs decreased by £10,600 (1.8%) in the Revised Estimates and increased by £102,290 (17.5%) in the 2009-10 Estimates. The decrease in 2008-09 is mainly due to a large reduction in Planning Policy expenditure, partly offset by rollovers from 2007-08 and approved expenditure bids. The increase in 2009-10 arises from approved bids and re-phased rollover expenditure (see further below).
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 2008-09 estimates and adjusting for virement, any approved additional expenditure and, for next year, inflation. The targets have been further adjusted to allow some re-phasing of growth area rollovers, due to slippage on major developments caused by the recession. The result is that the Revised 2008-09 Estimate is £229,980 within the target, almost entirely due to Planning Policy direct expenditure being £230,100 lower than the target; similarly, the 2009-10 Estimate is within the adjusted original estimate by £32,920, due to a reduction £27,300 in Planning Policy expenditure and the remaining £5,620 saving is as a result of inflation not being applied unless absolutely necessary.
13. 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, where necessary. A general overview of recharges is given in paragraph 21.
14. **Community Development:**
 - (a) In 2008-09, there was a rollover of £31,000 from 2007-08 for the Community Facilities Audit and also a virement of £6,000 from Community Development

Projects to the staffing accounts. However, reductions in recharges partly offset the increase in 2008-09 and cause a marked decrease in the 2009-10 net expenditure.

- (b) Phased Section 106 contributions from Gallagher Estates continue to be used for the development of Orchard Park. Provision for matching expenditure and income has been made, so the transactions do not affect the net expenditure of the Council.
15. **Sports Development:**
Provision has been included in 2009-10 for the approved bids for Sports Performers Grants (£20,000) and Additional Try Sport Events (£20,000).
16. **Arts Development:**
- (a) In 2008-09, virement of £5,000 from the staffing accounts has been completed to meet the cost of the Arts Service Review.
 - (b) Phased Section 106 and other contributions from Gallagher Estates, other property developers and Arts and Business are being used for public art in Orchard Park and other sites in both years. As above, provision for matching expenditure and income has been made, so the transactions do not affect the net expenditure of the Council.
17. **Sustainability:**
- (a) In 2008-09, a rollover of £5,500 has been added to the consultancy budget.
 - (b) The Climate Change Group budget of £3,000 has been included here.
 - (c) In 2009-10, the recharges include the costs of a Parish Energy Project Officer, which was approved in the bidding process.
 - (d) Phased Section 106 contributions from Gallagher Estates continue to be used for the development of Orchard Park in both years. As above, provision for matching expenditure and income has been made, so the transactions do not affect the net expenditure of the Council.
18. **Growth Agenda:**
- (a) Most of the Growth expenditure consists of recharges, which are increasing each year due to more staff becoming involved and allocating part of their staff cost to this area. However, some posts are funded by Cambridgeshire Horizons, which is shown as income.
 - (b) The only continuing direct cost within the original budget was the Cambridgeshire Horizons core funding of £30,000 per annum.
 - (c) All other direct expenditure has either originated from approved bids from this and previous years or must be funded by Cambridge Horizons. Approved rollovers from 2007-08 have now been phased over both years, owing to slippage on major developments caused by the recession. These funds are intended to be used on viability work on the next phase at Cambourne, Northstowe Development Trust and community facilities on major sites, as well as additional legal advice, if required.
 - (d) Some provision has been included in both years in respect of the approved bid for community engagement.
19. **Economic Development:**
- (a) Provision has been included for approved bids in 2009-10 in respect of improved banding (£13,000) and in both years for the business forum (£15,000 and £17,500) and economic development business strategy (£20,000 and £20,000).

- (b) A further £25,000 expenditure in the current year has been included for the economic development business strategy, but this is fully funded by Cambridgeshire Horizons.
- (c) The above increases arising from the above bids are partly offset by lower recharges in both years.

20. **Planning Policy:**

- (a) Budget rollovers totalling £124,000 from 2007-08 to 2008-09 were approved in July, but these are no longer required. The estimates for direct costs on Planning Policy have been reduced from £244,400 in the Original 2008-09 Estimates to £120,300 in the Revised and £217,000 in the Estimates 2009-10.
- (b) The reductions of £124,100 on the original estimate and £124,000 for unused rollovers in 2008- 09 are due to numerous external factors outside the control of the Council, which have once again combined to result in a very large deviation from the original plans. Recently, the timing and cost of a number of projects have been pushed off course by such factors as the Planning Inspectorate revising its examination/reporting processes (which had the effect of reducing costs), the examination inspectors programming their examinations of individual development plan documents (DPD's) over a prolonged period of time, the examination inspectors requesting additional work (resulting in adjournment and hence long delays), delays in the adoption of the East of England Plan in turn delaying South Cambridgeshire's plan-making, the Government's Eco-Town initiative diverting resources and most recently responding to changes introduced by the Planning Act 2008. These result in some delays into later years. There were also specific savings of £36,000 on the Cambridge North West DPD, due to the City Council agreeing bear the full cost rather than half, and £20,000 as a result of the claimant withdrawing from a High Court action. £18,000 of the total reduction has been vired to the staffing accounts to fund additional work done by the Programme Officer.
- (c) The 2009-10 direct cost figure is a reduction of £27,000. However, this is consistent with previous projections for Planning Policy, which has been recognised in the recent past as an area where expenditure can fluctuate over the medium term. However, it is anticipated that annual expenditure over the next few years should remain reasonably steady.
- (d) The remainder of the reduction on Planning Policy is due to lower recharges.

21. **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 £333,480 (14.2%) from £2,335,350 in the original 2008-09 Estimate to £2,668,830 in the 2009-10 Estimate. The 2008-09 Revised Estimate of £2,357,740 is £22,390 (1.0%) higher than the original estimate. The increases are due to considerably higher allocations of officer time and central services to the Growth Agenda. This is partly due to the fact that all posts that are funded by Cambridgeshire Horizons are now charged 100% to Growth, so that the income can be set against the full cost. 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 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.

CAPITAL ESTIMATES:

REVISED 2008-09 AND ESTIMATES 2009-10 TO 2011-12

22. The capital programme for this portfolio, which is attached at **Appendix B**, can be divided into two categories of capital expenditure, according to how they are to be funded. Firstly, Climate Change initiatives totalling £200,000, aimed at energy conservation and efficiency, will be fully funded through the Local Strategic Partnership Board. Secondly, annual fixed allocations of grant expenditure relating to Village Sports, Community Facilities and Arts Capital Grants have been included, but can only be funded from usable capital receipts. The provision for Dual Use ended last year. Members will be aware, however, that at some point in the future, reductions in the total capital programme will have to be made from 2010-11 onwards, as there are insufficient capital receipts available to fund the full programme.
23. In order that all significant capital items may be evaluated consistently throughout the Council, those items in the capital programme in 2009-10 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 three relevant proposal forms for this portfolio are attached at **Appendix C (1-4)**.

Implications

24. 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.

25. 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

26. 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

<p>27. Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future</p> <p>Deliver high quality services that represent best value and are accessible to all our community</p> <p>Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work</p>	<p>To determine detailed New Communities 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.</p>
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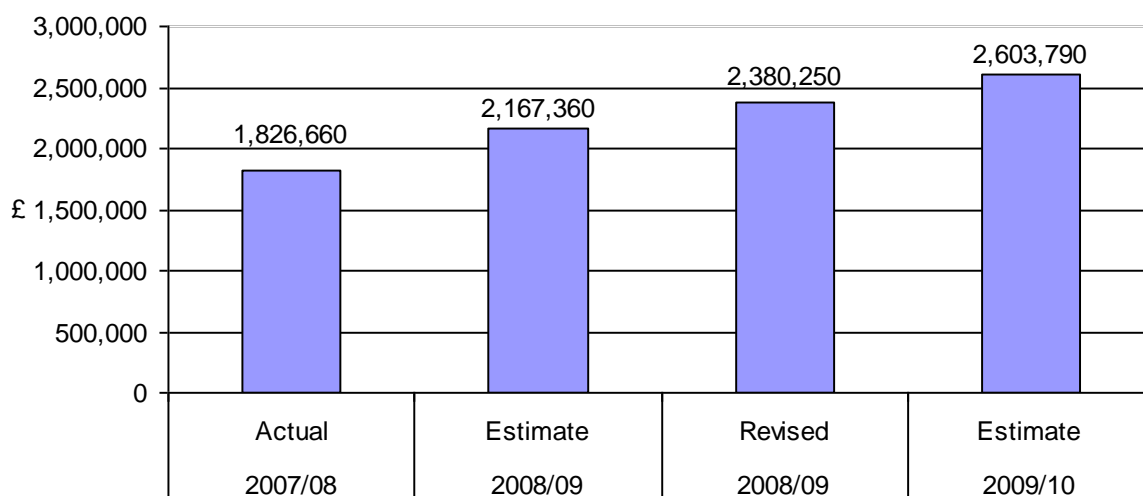
Conclusions / Summary

28. 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	1,826,660		
		+ 340,700	+ 18.7%
2008-09 Estimate	2,167,360		
		+ 212,890	+ 9.8%
2008-09 Revised	2,380,250	+436,430	+ 20.1%
		+ 223,540	+ 9.4%
2009-10 Estimate	2,603,790		

These comparisons are shown diagrammatically below:

NEW COMMUNITIES PORTFOLIO



29. The increase in expenditure from 2007-08 to the 2008-09 original estimates of £340,700 was mainly due to additional recharges to Growth (partly offset by additional grant), Economic Development and Planning Policy, and also higher direct costs in Planning Policy.
30. The increase of £212,890 in the revised 2008-09 estimate compared with the original estimate in 2008-09 was mainly due to less recharges being recoverable from Cambridge Horizons or from Housing and Planning Delivery Grant, whilst the total recharges remained at around the same level. This was because several Cambridge Horizons funded posts were not filled immediately, but increased time allocations from other Council officers meant that the total recharges to this portfolio did not reduce.
31. There was an increase of £436,430 in 2009-10 compared with the original estimate in 2008-09. This was largely as a result of an overall increase in recharges to this portfolio of £333,480, whilst the amount recoverable from Cambridge Horizons and Housing and Delivery Grant remained almost constant. Increases in direct costs resulted from approved bids, inflation and some re-phased rollovers in respect of Growth. These changes in direct costs are set out in detail on the table on **Appendix A**.
32. 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 are £32,920 within the required target and the Revised 2008-09 Estimate is below the adjusted original estimate by £229,980. These variations are almost entirely due to changes to the Planning Policy estimates, which are explained in paragraph 20.

Recommendations

33. The Portfolio Holder for New Communities is requested to:
 - (a) confirm the proposals for capital expenditure shown at **Appendix C(1-4)**, 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

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

Estimate files within Accountancy Services

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