

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Leader and Cabinet 11 December 2008  
**AUTHOR/S:** Chief Executive/ Corporate Manager, Finance & Support Services

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### **CAPITAL AND REVENUE ESTIMATES FOR THE STAFFING AND CENTRAL OVERHEAD ACCOUNTS**

#### **Purpose**

1. To approve the Capital Programme up to the year 2011-12 and the Revenue Estimates up to 2009-10 for the Staffing and Central Overhead Accounts.
2. This is not a key decision. However, it revises the Staffing and Central Overhead part of the 2008-09 estimates, which feeds into all service budgets within the overall total Council budget. It also sets out the relevant 2009-10 estimates, which will be included as part of the overall estimates to be presented to the Cabinet and confirmed by Council in February 2009.

#### **Executive Summary**

3. These estimates form only the first part of the estimate process. The current recommended bids and additional spending approvals relevant to the staffing and central overhead accounts have been incorporated and all areas reviewed in detail.
4. A summary of the revenue estimates for Staffing and Central Overhead Accounts is shown at **Appendix A** and the recharges to services at **Appendix B**.
5. The net estimated expenditure in 2009-10 for this area of the accounts is £18.606m, which is £0.862m (4.8%) more than the original estimate for 2008-09. The 2008-09 revised figure of £17.855m is £0.111m (0.6%) more than the original estimate, although it is well within the updated authorised position (see paragraph 7 below).
6. 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 relates to the new Cambourne Offices, Waterbeach Depot and ICT Development.
7. In **Appendix D**, a comparison is made between the original 2008-09 estimates, adjusted for expenditure approvals during the year to date, and the revised estimates. This is made in respect of the Staffing and Central Overhead Accounts only. It shows that the revised estimate is within the authorised figure by £122,450. This will offset possible additional expenditure and shortfalls of income that may need to be included elsewhere in the revised estimates.
8. In **Appendix E**, a comparison is made between the original 2008-09 estimates, adjusted for expenditure approvals and inflation, and the 2009-10 estimates. Again, this is made in respect of the Staffing and Central Overhead Accounts only. It shows that the revised estimate is within the calculated figure by £3,000.
9. Cabinet is recommended to:

- (a) Confirm the inflation figure of 2.5% both for general expenditure and pay awards in 2009-10, on which all the estimates are being prepared (paragraph 16).
- (b) Approve the revenue estimates and recharges as presented and shown at **Appendix A and Appendix B**, subject to any changes which may be made in the report on bids elsewhere in the agenda.
- (c) Approve the capital programme as shown at **Appendix C**.
- (d) Note that the total 2008-09 revised estimates for Staffing and Central Overheads reduces the current budget by £122,450, which will offset possible additional expenditure or shortfalls of income elsewhere in the revised estimates.

## Background

- 10. The draft estimates for all the services of the Council will be presented to the relevant Portfolio Holders in January, for consideration and endorsement. All estimates will incorporate the recommended additional expenditure bids that are being presented for approval at this meeting. It is intended that those estimates will be brought together and presented to the Scrutiny and Overview Committee on 5 February and Cabinet on 12 February 2009. The final approval of the estimates and the levels of Council Tax and Rents will be decided by the Council on 26 February 2009.
- 11. 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 recharged to all the services of the Council.
- 12. The estimates presented today concern the Staffing and Central Overhead Accounts only. The staffing costs, including the comparative figures for the Original Estimate 2008-09 and Actual 2007-08, have been re-categorised according to the new Portfolios. Each current staffing cost centre is assigned to one portfolio only. The Wardens' and DLO/DSO operatives' costs continue to be excluded, as they are charged directly to their services.
- 13. 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**. In addition, comparisons of the net expenditure for the Original 2008-09 estimates with the revised estimates this year and estimates for 2009-10 are shown on **Appendix D** and **Appendix E** respectively.
- 14. These estimates incorporate all decisions made by the Cabinet up to and including the previous meeting. In addition, they also include the staffing and central overhead implications of the additional expenditure bids being presented to this meeting. Any further approved changes could be subsequently added to these estimates, but the costs or reductions in 2009-10 could remain unallocated to services until the Revised Estimates are completed in December 2009.
- 15. The detailed estimates reflect the new portfolio structures. All the comparative figures for the Actual 2007-08 and Original Estimate 2008-09 have also been reorganised to reflect the current portfolio structure. The officer cost structure, has also been reorganised to reflect the projected service structure approved by Cabinet in September. However, the officer structure change cannot be reflected in the comparative recharge figures, so these will be shown only in total on each service.

## Considerations

### INFLATION AND PAY AWARDS

16. In 2008-09, the pay award and provision for inflation were both 2.5%. However, the pay award provision in the revised estimates has been increased to 3%, to reflect the decision of Council on 27 November. For 2009-10, a provision of 2.5% has been included for the annual pay award, but for expenditure generally, increases in individual estimates 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 on non-pay items. Further provision of 2.1% per annum is made for increases in local government pension costs (see paragraph 23 below).

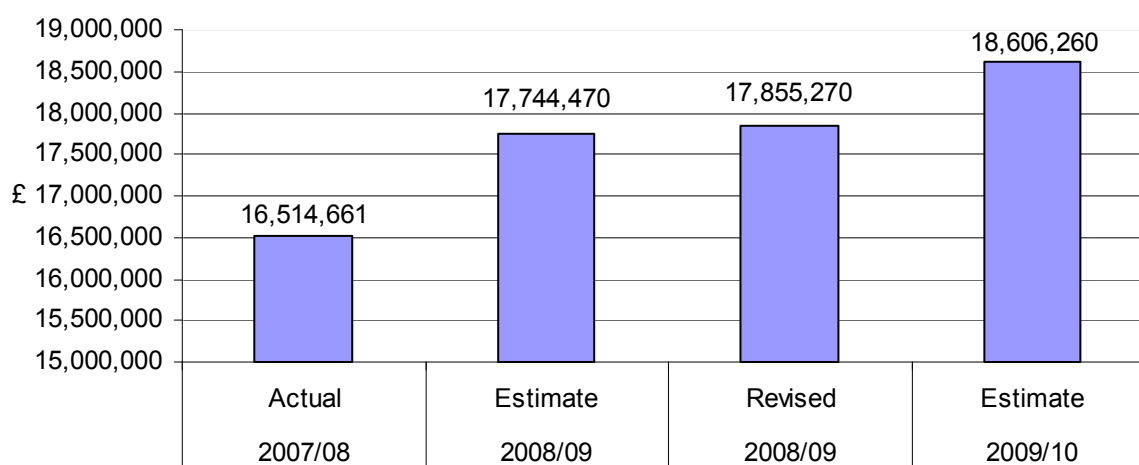
### REVENUE ESTIMATES: REVISED 2008-09 AND ESTIMATES 2009-10

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

#### NET RECHARGEABLE COSTS (including unallocated)

18. All costs of the staffing and central overheads are recharged both between these accounts and to all the services of the Council.
19. The rechargeable expenditure has a significant impact on the total revenue expenditure of each service. The net estimated expenditure in 2009-10 is £18.606m, which is £0.862m (4.8%) more than the original estimate for 2008-09 and £2.092m (12.7%) more than the actual expenditure in 2007-08. The 2008-09 revised figure of £17.855m is £0.111m (0.6%) more than the original estimate and £1.341m (8.1%) more than the 2007-08 actual expenditure. These comparisons are shown diagrammatically below:

#### NET RECHARGEABLE COSTS



20. The above figures are affected to some extent by large changes in capital charges, which is the charge for depreciation of assets. The net rechargeable costs have been

analysed on Appendix A, as a memorandum note, to show the costs excluding capital charges. Depreciation on the main furniture and fixtures in the Cambourne Office was completed in 2007-08, leading to lower charges from 2008-09 onwards. Overall, capital charges within these estimates were £0.270m lower in 2009-10 compared with 2007-08. However, this does NOT affect the total costs of the Council or the level of council tax. Although capital charges must be included in recharges to services, they are reversed out on the General Fund summary.

21. The Net Rechargeable Costs are made up of Staffing Costs, which are referred to in paragraphs 22 to 40, and Central Overheads, which are dealt with in paragraphs 41 to 44.

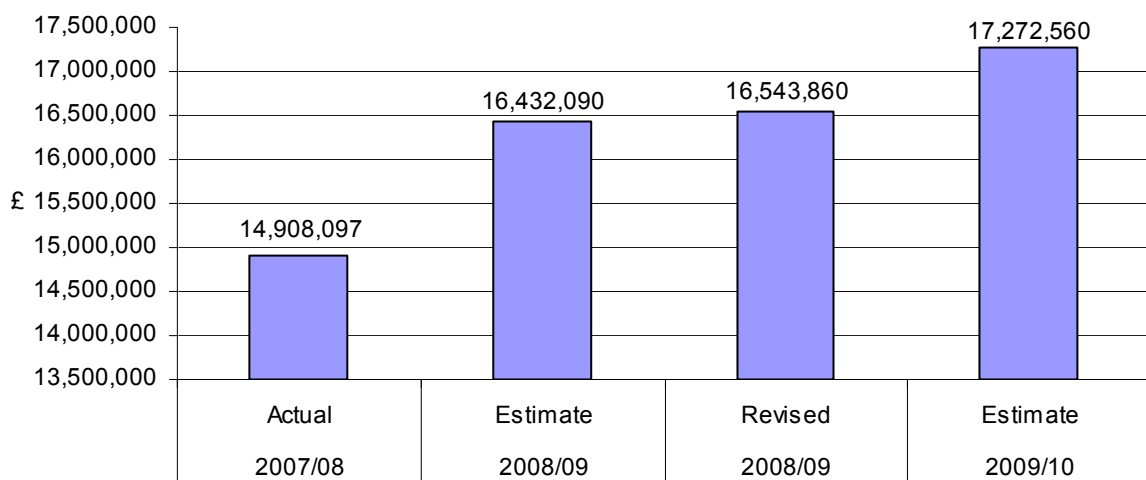
STAFFING COSTS (including all ICT capital charges and other costs)

22. Provision was made in the 2008-09 original estimates for a local pay award from April 2008 of 2.5% for all staff. The revised estimates include the actual award of 3%, whilst the estimates for 2009-10 continue to provide for a pay award of 2.5%.
23. In addition to the pay award provisions of 3% in 2008-09 and 2.5% in 2009-10, provision has also been made for the annual increase of 2.1% in the employer's pension contribution rate. This was 17.5% in 2008-09 and will be 19.6% in 2009-10. The estimated increased cost to the Council in 2009-10 of each employee at a given pay scale is therefore around 4.6% (or 5.1% compared with the original estimate), before any increase due to incremental progression is taken into account. However, the cost of the increment is on average another 3.4%, making an increase of 8% in total on those employees receiving one (8.5% on the original estimate).
24. The net estimated staffing expenditure in 2009-10 is £17.272m, which is £0.840m (5.1%) more than the original estimate for 2008-09 and £2.364m (15.8%) more than the 2007-08 actual expenditure. The 2008-09 revised figure of £16.543m is £0.111m (0.7%) more than the original estimate and £1.635m (11.0%) more than the 2007-08 actual expenditure.
25. The staffing costs have been analysed by portfolio 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, Deputy Leader and the Finance Portfolio Holder and can be made available to other Members on request.
26. The following table shows a comparison by portfolio of the original Estimate 2008-09 with both the Revised Estimate 2008-09 and the Estimate 2009-10:

<u>Staffing Costs by Portfolio</u>	Estimate 2008-09 £	<b>Revised 2008-09</b> v Est.08-09 £	<b>Estimate 2009-10</b> v Est.08-09 £
Finance	4,061,810	+ 2,880	+ 285,470(7.0%)
Staffing	316,800	+ 37,180	+ 74,950(2.4%)
Environmental Services	2,160,640	- 20,510	+ 116,070(5.4%)
Housing	3,477,130	+ 218,740	+ 30,270(0.9%)
Planning	2,661,860	- 244,100	+ 18,990(0.7%)
New Communities	1,635,780	+ 23,680	+ 344,150(21%)
Policy, Improvement and Communications (including ICT)	2,069,690	- 10,500	+ 42,030(2.0%)
Leader	263,380	- 68,600	- 16,460(-6.2%)
Unallocated expenditure	-215,000	+ 173,000	- 55,000(-26%)
<b>TOTAL</b>	<b>16,432,090</b>	<b>+ 111,770</b>	<b>+ 840,470(5.1%)</b>
<b>Overall Total Figures</b>	<b>16,432,090</b>	<b>16,543,860</b>	<b>17,272,560</b>

27. The overall staffing figures are shown diagrammatically below:

#### STAFFING COSTS



28. The staffing costs (including all ICT costs) may also be analysed by officer structure, to reflect the responsibilities of corporate manager service divisions. 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

projected service structure that would apply if the housing stock were to remain with the Council.

29. Comments on the figures, both overall and for each portfolio are set out in paragraphs 30 to 40. Comparisons are with the original estimates, unless otherwise stated and due to the complexity of changes within and across portfolios during 2008-09, in general, only variances over £50K are explained below. Note that with reference to the progressive increases in payroll costs in paragraph 23 (5.1% up to 8%) and the inflation allowance on other costs (2.5%), the expected overall increase on the staffing accounts in 2009-10 before any other changes would be in the region of 4% - 5%.
30. Overall Staffing Costs increase 2008-09 (+£111K):  
The increase is mainly due to virements (£432K), rollovers (£87K) and the higher pay award (£69K), partly offset by lower capital charges (-£84K), lower expenditure on reclaimable Cambridgeshire Horizons/Planning Delivery Grant posts (£-193K), efficiency savings (-£76K) and net under spends highlighted in previous financial position reports (-£76K).
31. Overall Staffing Costs increase 2009-10 (+£840K):  
The substantial increase is mainly due to pay and price inflation (£746K), expenditure bids (£274K), and the increased costs of Cambridgeshire Horizons/Planning Delivery Grant funded posts (£27K), partly offset by lower capital charges (-£103K) and efficiency savings (-£92K). The costs of the Cambridgeshire Horizons/PDG posts will be covered by income in the service accounts.
32. Finance: (2008-09 +£3K, 2009-10 +£285K)
  - (a) Inflation accounts for an increase of £195K.
  - (b) Recommended bids include a Customer Support Assistant within Benefits and a part-time Accountancy Assistant to deal with leaseholder service charges.
  - (c) The remainder in 2009-10 is mainly due to the management structure changes, including the new Executive Director and Community and Customer Services Corporate Manager. However, these increases are mainly offset by reductions in other portfolios, such as the Housing portfolio.
33. Staffing: (2008-09 +£37K, 2009-10 +£75K)  
The increases in both years arise from the costs of the single status review, which had previously been included under the unallocated costs. Some of these costs have been moved on one year.
34. Environmental Services: (2008-09 -£20K, 2009-10 +£116K)
  - (a) Inflation accounts for an increase of £97K in 2009-10.
  - (b) The remainder is due to the recommended bid for the cost of Investors in People accreditation and the full-year effect of the bid approved last year for an Assistant Environmental Enforcement Officer.
35. Housing: (2008-09 +£218K, 2009-10 +£30K)
  - (a) The increase in 2008-09 is mainly due to the continuation of Housing Futures staff. In the original estimates, the provision was made in the Housing Service accounts. This was then vired to the staffing accounts at the beginning of the current year.
  - (b) Inflation accounts for an increase of £152K in 2009-10. However, the Head of Housing Strategic Services, and Policy Officer posts and the fixed term posts of Choice based Lettings Officer and Housing Register Review Assistant,

- have been removed in 2009-10. Also, a City Council shared post is moved to New Communities from 2009-10.
- (c) Some provision for Housing Futures staff, including retention payments, has also been included in 2009-10 for the anticipated ballot.
  - (d) The recommended bid for the continuation of the full-time Community Telecare Co-ordinator post is included.
36. Planning Services: (2008-09 -£244K, 2009-10 +£19K)
- (a) In both years, three Urban Design posts have been moved from Conservation to New Communities.
  - (b) The 2008-09 the two senior posts in Conservation and the new Performance Manager post were vacant for long periods, as well as there being various vacancies in Development Control. The Conservation Manager vacancy funded a consultant used to cover part of his work.
  - (c) Inflation accounts for an increase of £125K in 2009-10. However, the above transfer of three Urban Design posts offsets this.
  - (d) The bid for the Devcon development and temporary data is included.
37. New Communities: (2008-09 +23K, 2009-10 +£344K)
- (a) Inflation accounts for an increase of £83K in 2009-10.
  - (b) The three Urban Design posts moved from Conservation to New Communities have an effect of £130K in 2009-10. Two of these are funded by Cambridgeshire Horizons. The increased cost of the other Cambridgeshire Horizons posts, amounting to £67K, will be fully recovered. This income will be included in the service accounts. It should be noted that the Senior Management Team have agreed to make the post of Personal Assistant to the Joint Planning Director permanent.
  - (c) The Community Development Officer has been transferred from the Leader's Portfolio and the costs of a joint post with the City Council has moved from the Housing Portfolio.
  - (d) The recommended bid for a Parish Energy Project Officer has been added in 2009-10.
38. Policy, Improvement and Communications: (2008-09 -£10K, 2009-10 +£42K)  
The recommended bids for some ICT posts and systems maintenance have been added in 2009-10.
39. Leader: (2008-09 -£69K, 2009-10 -£16K)
- (a) The reduction in the current year is due to vacancies.
  - (b) The recommended bid for the post of Community Liaison Officer has been added in 2009-10.
40. Unallocated:  
A 2% reduction for vacancies, excluding externally funded posts, continues to be applied. In the current year, most of the required reduction has been achieved, so a small reduction of £42K has been retained to cover possible vacancies that have not already been anticipated. All other unallocated provisions in the original estimates have now been allocated to specific cost centres.

#### CENTRAL OVERHEADS

41. Waterbeach Depot: (2008-09 +£5K, 2009-10 +£9K)  
These minor changes are mainly due to recharges and capital charges.

42. Cambourne Office: (2008-09 +£85K, 2009-10 +£61K)  
(a) The increase in 2008-09 is mainly due to recharges (£80K).  
(b) The increase in 2009-10 is due to recharges (£44K) and inflation (£17K).
43. Central Expenses: (2008-09 -£2K, 2009-10 £0K)  
There are no significant changes.
44. Central Support Services: (2008-09 £0K, 2009-10 -£6K)  
There are no significant changes.

#### RECHARGES TO SERVICES

45. 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. The total recharges equate closely to the net rechargeable costs in paragraph 19, the only difference being the unallocated costs, which were -£215K in the original estimates, -£42K in the revised and -£270K in the estimates for next year.
46. The 2008-09 revised estimate of recharges to General Fund services amounts to £14.427m, which is £0.304m less than the original estimate. In 2009-10, the estimated figure is £15.556m, which is £0.825m more than the 2008-09 original estimate. Most of the decrease in 2008-09 is caused by a reduction of expenditure that is externally funded by Cambridgeshire Horizons/Planning Delivery Grant (-£193K), for which there will be a corresponding reduction of income in the service accounts.
47. The revised estimate of recharges to the Housing Revenue Account amounts to £3.141m, which is £0.434m more than the original estimate. In 2009-10, the estimated figure is £3.072m, which is £0.365m more than the 2008-09 original estimate. The increase in 2008-09 arises mainly from changes in respect of Housing Futures and capital expenditure. Some provision had been made in the Housing Revenue Account for Housing Futures expenditure and was vired to the staffing accounts.
48. The revised estimate of recharges to Capital amounts to £0.328m, which is £0.191m less than the original estimate. In 2009-10, the estimated figure is £0.246m, which is £0.273m less than the 2008-09 original estimate

#### CAPITAL ESTIMATES: REVISED 2008-09 AND ESTIMATES 2009-10 TO 2011-12

49. 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 relates to the new Cambourne Offices, Waterbeach Depot and ICT Development.
50. Comments concerning the items in the programme are included in the notes to Appendix C.

#### COMPARISON OF TOTAL ESTIMATES WITH AUTHORISED APPROVALS

51. In **Appendix D**, a comparison is made between the original 2008-09 estimates, adjusted for expenditure approvals during the year to date, and the revised estimates. This is made in respect of the Staffing and Central Overhead Accounts only. It shows that the revised estimate is within the authorised figure by £122,450. This could be set against the authorised approvals of additional expenditure, which amount to



£165,730 (pay award, rollovers and bids affecting 2008-09), or against shortfalls of income and additional expenditure that may need to be included elsewhere in the revised estimates.

52. In **Appendix E**, a comparison is made between the original 2008-09 estimates, adjusted for expenditure approvals and inflation, and the 2009-10 estimates. Again, this is made in respect of the Staffing and Central Overhead Accounts only. It shows that the revised estimate is within the calculated figure by £3,000.

### Implications

53.	Financial	<p>1. The estimated central costs rechargeable to services, as shown in <b>Appendix B</b>, will be shown in all portfolio estimates as Central, Departmental and Support Services and will also be recharged to capital accounts, as appropriate.</p> <p>2. The unallocated costs will be shown as separate items in the General Fund Summary and Housing Revenue Account Summary and will be incorporated in the Capital Programme.</p> <p>3. The capital estimates in <b>Appendix C</b> 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.</p> <p>4. The amount available in <b>Appendix D</b> may be set against additional expenditure, as in <b>paragraph 51</b> above.</p> <p>5. <b>Appendix E</b> confirms that the 2009-10 estimates are within the expected level of net expenditure.</p>
	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

54. 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 extensively in the compilation of the estimate figures.

### Effect on Corporate Objectives and Service Priorities

55.	<p><b>Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future</b></p> <p><b>Deliver high quality services that represent best value and are accessible to all our community</b></p> <p><b>Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work</b></p>	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 current financial constraints.
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## Recommendations

56. Cabinet is recommended to:

- (a) Confirm the inflation figure of 2.5% both for general expenditure and pay awards, on which all the estimates are being prepared (paragraph 16).
- (b) Approve the revenue estimates and recharges as presented and shown at **Appendix A and Appendix B**, subject to any changes which may be made in the report on bids elsewhere in the agenda.
- (c) Approve the capital programme as shown at **Appendix C**.
- (d) Note that the total 2008-09 revised estimates for Staffing and Central Overheads reduces the current budget by £122,450, which will offset possible additional expenditure or shortfalls of income elsewhere in the revised estimates.

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

Estimate files within the Accountancy Division  
Detailed estimates pack

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