

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet

9<sup>th</sup> December 2004

AUTHOR/S: 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 2007-08 and the base Revenue Estimates up to 2005-06 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.
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, and will include the recommended spending proposals. It is intended that those estimates will be brought together and all estimates presented to the Cabinet on the 10<sup>th</sup> February, for recommendation to Council, and the Scrutiny and Overview Committee on 17<sup>th</sup> February. The final approval of the estimates and the levels of Council Tax and Rents will be decided by the Council on 26<sup>th</sup> February 2005.
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. These estimates will also be presented to the Scrutiny and Overview Committee on 16<sup>th</sup> December
5. These estimates 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. The transitional costs of moving offices to Cambourne, the establishment of the Cambridge Office and the subsequent running costs are included in these rechargeable estimates. All costs of the new offices will now be recharged to services, as they are fully occupied by staff, whereas in 2003-04 the costs remained unallocated.
8. These estimates incorporate all decisions made by the Cabinet up to and including the 17<sup>th</sup> November. In particular, they include the staffing and central overhead cost implications of the priority spending proposals agreed in principle at that meeting. The relevant approved savings 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 2005.

## Considerations

### INFLATION AND PAY AWARDS

9. Provision for inflation on expenditure generally of 2½% and pay awards of 3% has been applied throughout the 2005-06 estimates. This inflation rate and pay award is consistent with previous years and projections. Further provision is made for increases in local government pension costs (see paragraph 16 below).

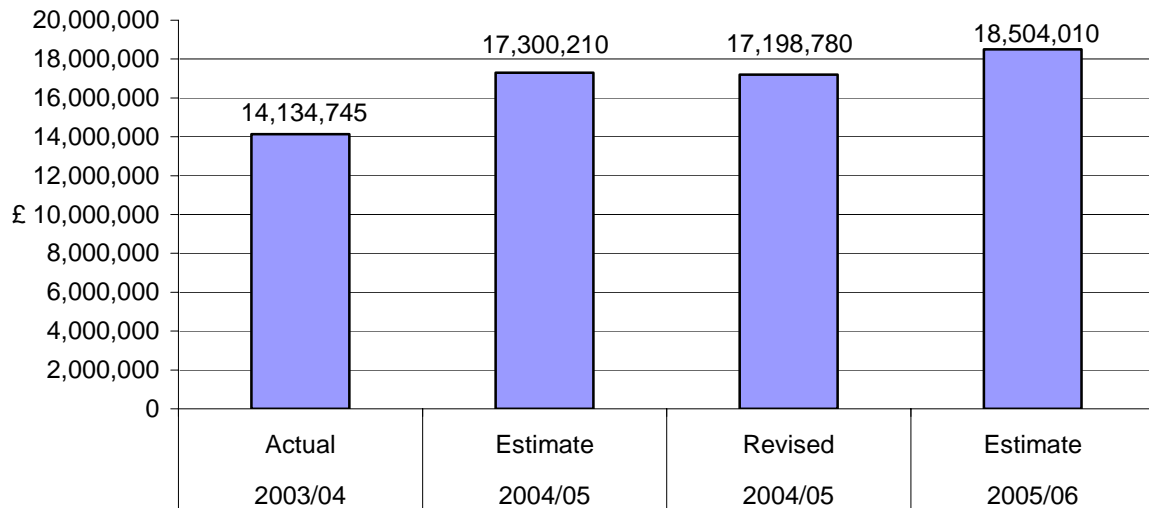
### REVENUE ESTIMATES: REVISED 2004-05 AND ESTIMATES 2005-06

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

#### TOTAL RECHARGEABLE CENTRAL COSTS (including unallocated costs)

11. All costs of the staffing and central overheads are now being recharged both between these accounts and to all the services of the Council, including the Cambourne and Cambridge City Offices from 2004-05 (unallocated figures in previous years have been included in the following comparisons).
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 2005-06 is £18.504m, which is £1.204m (7%) more than the original estimate for 2004-05 and £4.369 (31%) more than the 2003-04 actual expenditure. The 2004-05 revised figure of £17.199m is £0.101m (0.6%) less than the original estimate and £3.064m (22%) more than the 2003-04 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 £23,780 lower in the Revised 2004-05 and £176,180 higher in the Original 2005-06 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 increase 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 2004-05 original estimates for a local pay award from April 2004 of 3.5% for all staff. Although the actual award was 4.2%, the apparent shortfall has been negated by an overprovision in the original estimates in respect of employer's national insurance. The estimates for 2005-06 provide for a pay award of 3% for all staff.
16. Provision has also been made for a further increase in the employer's pension contribution rate, from 9.7% to 11.2%, with effect from April 2005. After taking this and the pay award increase into account, the estimated increased cost to the Council in 2005-06 of each employee at a given pay scale is therefore around 4.5% above the 2004-05 estimate, before any increase due to incremental progression. However, the majority of staff will receive an increment in 2005-06, mainly as a result of the extended pay ranges introduced in the recent pay review. In these cases, the cost of the increment is on average another 3.5%, making 8% in total.
17. The net estimated staffing expenditure in 2005-06 is £16.044m, which is £1.462m (10%) more than the original estimate for 2004-05 and £3.585m (29%) more than the 2003-04 actual expenditure. The 2004-05 revised figure of £14.461m is £0.122m (0.8%) less than the original estimate and £2.001m (16%) more than the 2003-04 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 2004-05 with both the Revised Estimate 2004-05 and the Estimate 2005-06.

<u>Departmental Costs by Portfolio</u>	Estimate 2004-05 £	<b>Revised 2004-05 £</b>	<b>Estimate 2005-06 £</b>
Resources and Staffing	3,412,900	<b>+ 138,290</b>	<b>+ 276,130</b>
Information and Customer Services	3,321,170	<b>- 147,760</b>	<b>+ 375,010</b>
(Environmental Health (exc. DSO)	1,518,240	<b>- 117,490</b>	<b>+ 99,470</b>
(Commercial /DSO Officers only	417,770	<b>- 216,920</b>	<b>- 215,450</b>
Housing	2,345,380	<b>+ 147,110</b>	<b>+ 386,480</b>
Planning and Econ. Development	2,419,440	<b>+ 75,960</b>	<b>+ 369,550</b>
Conservation, Sustainability and C.P	383,740	<b>+ 7,780</b>	<b>+ 41,720</b>
Community Development	763,930	<b>- 8,560</b>	<b>+ 128,860</b>
<b>TOTAL</b>	<b>14,582,570</b>	<b>- 121,590</b>	<b>+ 1,461,770</b>

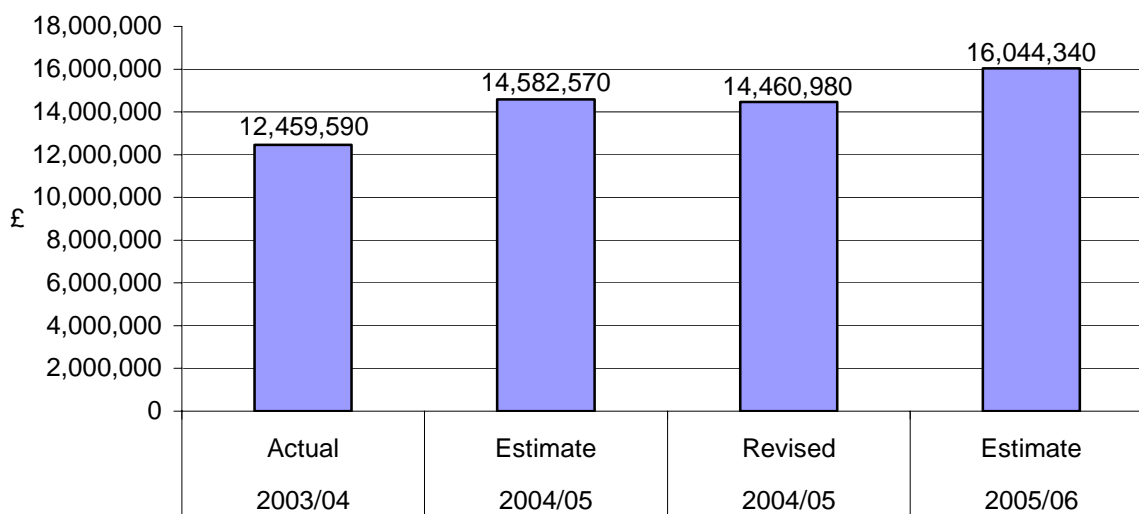
Overall figures 14,582,570 14,460,980 16,044,340

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, are adjusted to reflect the current departmental structure.

Departmental Costs by Dept	Estimate 2004-05 £	Revised 2004-05 £	Estimate 2005-06 £
Chief Executive	1,363,850	- 9,150	+ 165,270
Finance and Resources (exc. ICT)	3,270,480	+ 121,700	+ 260,180
ICT	2,937,860	- 130,190	+ 358,700
Housing and Env. Services	4,015,590	- 183,220	+ 211,570
Development Services	2,994,790	+ 79,270	+ 466,050
<b>Total</b>	<b>14,582,570</b>	<b>- 121,590</b>	<b>+ 1,461,770</b>

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 6-7%.
23. Resources and Staffing:  
The proposals for licensing and other work to be carried out by the Legal Division increases costs in both years, as does the additional provision of three revenue assistants, which was approved by Council on 24<sup>th</sup> June 2004. The additional Legal Division costs will be offset by reductions in the outsourcing of legal costs in the Planning Portfolio. In 2005-06, the Benefits action plan to meet Benefit Fraud Inspectorate performance standards is included.

24. Information and Customer Services:  
Movement arises mostly on ICT. Council approval of up to £70,000 for CASCADE and rollovers of £38,500 have been authorised for additional ICT expenditure in 2004-05. However, there is now a saving of £222K on Phase 2 of CASCADE in 2004-05, due to its deferment until 2005-06 at the earliest. In 2005-06, capital charges arising from ICT capital expenditure increase by £192,240 and the spending proposal for E government requirements is also included. The 2005-06 estimate provides for CASCADE Phase 2 to proceed, utilizing a further £70,000, which was the balance of savings achieved elsewhere in the departmental estimates through posts being made redundant, etc.
25. Environmental Health:  
There are specific decreases in both years, which have been shown on a separate line in the above table, that are due merely to the transfer of DLO staff from what was the Commercial Division to Shire Homes, which is within the Housing Portfolio. The remaining staff are DSO officers only. Other savings have resulted from the restructure of the Environmental Health Division, including some originating from the splitting of the old Commercial Division.
26. Housing:  
In 2004-05, some vacancies in Shire Homes have not been filled in view of the impending reorganisation resulting in some one-off savings. The increase over the original estimate is due to the DLO staff transferring into Shire Homes (see above). In 2005-06, the full establishment, before any reorganisation proposals, has been provided for. However, the proposals for the temporary Housing Advice and Homelessness Officer made permanent and the temporary post to complete the appraisal of Council land have also been provided for.
27. Planning and Economic Development:  
Provision has been made for additional officers who are to be funded from Planning Delivery Grant. There are now a total of seven such officers, whereas two were included in the original estimate. Only the expenditure is shown in these estimates. The grant income will be included in the portfolio service estimates. The full year effect of these posts is included in 2005-06. The spending proposals for the extension of hours of an Enforcement Officer and the Trees and Landscape Officer have also been included.
28. Conservation, Sustainability and Community Planning:  
In 2005-06, provision is included for the spending proposal in respect of the additional hours of the Trees and Landscape Officer.
29. Community Development:  
The increase in 2005-06 is mainly due to the spending proposals for three additional staff in Community Services regarding Northstowe and progressing the accessibility of community action points.

#### CENTRAL OVERHEADS

30. South Cambridgeshire Hall, Station Road and Oakington Offices  
There are various one-off additional costs in 2004-05 arising from the vacation of these premises.
31. Waterbeach Depot  
In 2004-05, additional costs for repairs, removals from Oakington to Waterbeach and the purchase and storage of ballot boxes have now been included.

32. Cambourne Office

In the current year, there are various compensating changes in the revised estimates, but the overall increase is due to higher internal recharges. In 2005-06, without the initial higher costs of the first year in occupation, various costs diminish. This cost reduction is partly offset by the inescapable spending proposal for the programmed maintenance of plant.

33. Cambridge City Office

There is saving in rent of £42,620 from 2004-05 onwards.

34. Central Expenses

Employee Related Insurance is estimated to cost an extra £11,800 in the current year and a further £21,040 in 2005-06, due mainly to an increase in the premium rates, which are determined by market conditions and claims experience, and also partly due to the higher payroll cost.

35. Central Support Services

The direct central support costs have increased due to the provision of vending machines, but overall the expenditure falls due to a reduction of recharges allocated to this area.

#### **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 significant increase in recharges overall in the current year of £0.746m is due to the cost of CIPS decisions made at the end of the estimate process last year, which were too late to be recharged in the original 2004-05 estimates, now being recharged in the revised estimates. The Commercial Holding Accounts have been discontinued, so the recharges to the Environmental Health Portfolio and Housing Revenue Account now show the impact of the management costs of the DSO and DLO directly.

#### **CAPITAL ESTIMATES: REVISED 2004-05 AND ESTIMATES 2005- 06 TO 2007- 08**

38. The Capital Programme relating to the Staffing and Central Overhead Accounts is submitted for approval at **Appendix C**.

39. Comments concerning the items in the programme are included in the notes to Appendix C.

#### **Financial Implications**

40. 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.

41. The central 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**

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

### **Consultations**

43. 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**

44. 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.
45. The overall revised revenue estimate in this area for 2004-05 amounts to £17.199m, which is £121,590 (0.6%) less than the original, and the figure for 2005-06 is £18.504m, which is £1.204m (7%) more. The increase is mainly due to increased payroll costs (see paragraphs 16 and 22).
46. The part of the capital programme relevant to set out in Appendix C.

### **Recommendations**

47. Members are requested to:
- i) confirm the inflation figure of 2½% generally and 3% for pay awards, on which all the estimates are being prepared (paragraph 9)
  - ii) approve the revenue estimates and recharges as presented and shown at **Appendix A and Appendix B**; and
  - iii) 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.

**Contact Officer:** Peter Harris, Principal Accountant (General Fund & Costing)  
Telephone No. (01954) 713073