

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Finance & Staffing Portfolio Holder Meeting

17 January 2012

**AUTHOR/S:** Executive Director, Corporate Services

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### REVENUE AND CAPITAL ESTIMATES FOR THE FINANCE AND STAFFING PORTFOLIO

#### Purpose

1. To consider the Revenue Estimates up to the year 2012-13 and the Capital programme up to the year 2014-15.
2. This is not a key decision. However, the report presents the relevant 2011-12 revised and 2012-13 estimates for endorsement by the Portfolio Holder, prior to being included in the overall estimates to be presented to the Cabinet and confirmed by Council in February 2012.

#### Recommendations

3. That the Finance and Staffing Portfolio Holder:
  - (a) endorses the 2011-12 revised and the 2012-13 Revenue Estimates relating to services within the Finance and Staffing Portfolio and recommends them for consideration by the Cabinet and Council, and
  - (b) approves the revised Land Charges scheme of charges

#### Background

4. The estimates for the Finance and Staffing 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
  - Land Charges
  - Treasury Management
  - Cost of NNDR Collection
  - Discretionary NNDR Relief
  - Cost of Council Tax Collection
  - Miscellaneous
  - Elections
  - Register of Electors
  - Democratic Representation
5. The Finance and Staffing Portfolio Holder approved the Staffing and Central Overhead revenue estimates and recharges and capital programme on 20 December 2011. 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 current service structure. It should be

noted that, as all the recharges have already been approved, individual portfolio holders cannot amend them.

6. The estimates for each portfolio are being reported to the relevant Portfolio Holder. These estimates will then be summarised in a report for review by the Scrutiny and Overview Committee on 6 February 2012, consideration by the Cabinet on 9 February, and finally, presentation to the Council on 23 February for confirmation of the estimates and levels of the Council Tax and Rents
7. The Revenue estimates are set out in **Appendix A**.
8. Provisions for inflation have been applied only in cases where price increases can be justified. No automatic inflation allowance has been applied.
9. Where applicable, the estimates of each portfolio take account of any rollover of budget from the previous year agreed during the year; they also incorporate expenditure approvals by Cabinet and Council up to November 2011.
10. 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 9 February 2012; two items have been identified within this Portfolio and relate to Elections (paragraph 22) and Democratic Representation - Standards budget, (paragraph 25).

### **Considerations**

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 2011-12 original estimates, the net direct costs increased by £253,160 in the Revised Estimates and by £164,580 in the 2012-13 Estimates. The increase in 2011-12 is mainly due to pension costs and audit savings within Corporate Management (paragraph 17), from the Benefits Holding Account (paragraphs 13, 14, 15, and 16), Treasury Management borrowing charges relating to the Housing Revenue Account self-financing reforms (paragraph 19), other factors include recovery of council tax court costs (paragraph 21) and land charge income (paragraph 18).
12. The **Appendix A** also shows the net direct cost 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 2011-12 estimates and adjusting for any virement, rollover, approved additional expenditure and, for next year, inflation. The result is that the 2011-12 Estimates are £122,250 outside the target primarily due to the factors noted in paragraph 11, and £166,542 outside the target in 2012-13 through increased Benefits net administration expenditure, Land Charges search fees, and Register of Electors poll delivery costs and a decrease in the recovery of court costs.

## Service Costs

13. Part of the difference between the original 2011-12 estimate and the revised estimates, £45,530, and the 2012-13 estimates, £332,860, is due to the allocation of staff time and shown as an increase in recharges, where there are other significant contributory factors these have been summarised in paragraphs 14 to 25.
14. Overall Benefits Holding Account:
  - (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 and Staffing Portfolio, except for those of Bed and Breakfast, which are recharged to Homelessness, within the Housing Portfolio.
  - (b) Direct subsidy from the DWP on benefit payments is expected to be more than £34m in 2012-13. The economic downturn continues to generate a substantial number of new claims (1,955 in the year to date) and caseload stands at an all-time high of 7,364 – the caseload for Rent Allowances has increased by 8.5%. Consequently, the workload of the Benefits Service has increased significantly and is expected to continue to do so due to the economic climate, anticipated growth within South Cambridgeshire and the Government's proposed changes to the benefits system.
  - (c) This increased workload has been recognised to some extent by the DWP, which has allocated additional benefits administration grant to local authorities. The specific allocations to this Council for 2011-12 and 2012-13 were £53,910 and £50,110 respectively; a further £44,000 has been rolled over from 2010-11's allocation, making a total of £97,910 available in 2011-12. Of this, £35,450 has been vired to the Benefits T account and is being used on revenues and benefits projects; the balance of £62,460 in the current year and £50,110 for 2012-13 is to be applied to additional benefits resources. However, the base level of benefit administration grant for 2012-13 has been decreased by 5.5%, in line with previous indications.
  - (d) In line with the increases in claims and caseload, the Benefits Holding Account shows significant variances in net administration and transfer payments expenditure borne by the General Fund compared with the original 2011-12 estimates, of £75,470 in the 2011-12 revised estimates and £208,440 in the 2012-13 estimates.
  - (e) In the current year, the variance is mainly due to a £611,210 increase in Rent Rebate, Council Tax and Rent Allowance Benefit Transfer Payments, partly offset by a £532,910 increase in the associated Government Grant, resulting in a net increase against the General Fund of £78,300.
  - (f) In 2012-13, the increase is mainly due to a £3,056,370 increase in Rent Rebate, Council Tax and Rent Allowance Benefit Transfer Payments, partly offset by a £2,942,720 increase in the associated Government Grant, resulting in a net increase against the General Fund of £113,650. There is also a £94,790 increase in net administrative expenditure (staffing and central overhead recharges etc., offset by DWP benefit administration grants).

- (g) The increases in Benefits Holding Account direct costs (i.e. excluding recharges) amount to £76,390 in 2011-12 and £136,320 in 2012-13.
- (h) It should be noted that, while the 2012-13 estimates have been prepared on the basis of the best information currently available, the changes in legislation relating to housing and council tax benefits, combined with the unpredictability of the pace of the caseload rise, mean that expenditure will need to be closely monitored during the year.
15. Council Tax Benefit (from Benefits Holding Account above)
- (a) Council Tax Benefit net expenditure reduces by £26,660 in the 2011-12 revised estimates but increases by £24,280 in the 2012-13 estimates. The reduction is due to:
- (i) lower Transfer Payments, partly offset by a decrease in the associated Government Grant; and
  - (ii) a decrease in net administrative expenditure (staffing and central overhead recharges etc., offset by the associated Administration Grant).
- (b) The increase is due to:
- (i) higher Transfer Payments, offset by an increase in the associated Government Grant;
  - (ii) an increase in net administrative expenditure.
16. Rent Allowances (from Benefits Holding Account above)
- Rent Allowances net expenditure increases by £143,160 in the 2011-12 revised estimates and £208,670 in the 2012-13 estimates. This is the area of substantial increase in activity; however the resulting increased Transfer Payments are only partly offset by increases in the associated Government Grant. Net administrative expenditure also increases.
17. Rent Rebates (from Benefits Holding Account above)
- Rent Rebates net expenditure reduces by £42,940 in the 2011-12 revised estimates and £31,280 in the 2012-13 estimates. Here, increased Transfer Payments are more than offset by increases in the associated Government Grant. Net administrative expenditure decreases in 2011-12 but increases in 2012-13.
18. Corporate Management
- When compared to the original 2011-12 estimate, the revised estimates show an increase of £126,250, and the 2012-13 estimates an increase of £156,670, increases in recharges account for £72,560 and £168,140 respectively. Variances in direct costs include provision for the pension costs of early retirement which include £30,000 fully attributable to the Housing Revenue Account and will be recharged accordingly and savings on external audit costs resulting from the receipt of an 8% rebate. The Housing Revenue Account is recharged a proportion of the cost of Corporate Management or the full cost where these are directly attributable to that account.
19. Land Charges
- When compared to the original 2011-12 estimate, Land Charges show an increase in net expenditure of £40,630 in the revised 2011-12 estimate and £22,030 in 2012-13; this is due to the combination of increased costs for search fees, changes in levels of recharges and, in the revised 2011-12 estimates, a decrease in income. The land

charge fees for 2012-13 have been reviewed and the estimate for that year is based on the full cost recovery for the provision of refined information

- (a) The number of County Council searches in 2011-12 is higher than anticipated the revised estimate increasing by £10,000, the trend continuing in 2012-13, the 2012-13 estimate has, therefore, been set to reflect an inflation increase of 2.5% and a slightly elevated level of searches when compared to the revised estimate.
- (b) Guidance for the setting of fees for local land charge services (Charges for Property Searches regulations 2008) includes 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 is required to ensure that over a rolling period the total income does not exceed costs of unrefined information; 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. The schedule of charges has been reviewed and the residential and commercial search fees (LLC1 and CON29R) amended by the Legal and Democratic Services Manager to reflect the cost of the provision of refined information; the revised schedule, with effect from 1 April 2012, is included as **Appendix B** for approval by the Finance and Staffing Portfolio Holder.
- (c) The revised estimate 2011-12 for income from fees and charges has been decreased by £36,000 in accordance with the expected income for the period, and the 2012-13 estimates increased to £318,160 to reflect estimated commercial and residential searches at the revised charges.
- (d) Should the property market show an upturn; an increase in the number of searches would result in an increased surplus for Land Charges, alternately a decrease in property searches would reduce the breakeven position currently indicated in the estimates to a deficit.

Any presented increase in fee income is tempered by increased charges levied by the County Council in relation to the provision of search information held by that authority.

## 20. Treasury Management

In February 2012 Council will be invited to approve a revised Treasury Management Strategy reflecting the changes to Housing Revenue Account financing; the changes require the Council to pay in excess of £205 million to the Government on the 28 March 2012. It is expected that borrowing from the Public Works Loans Board (PWLB) will be used to facilitate the financing requirement; the sum of £72,000 has therefore been included as a prudent estimate of the cost of the arrangement fee and is fully rechargeable to the Housing Revenue Account.

## 21. Cost of Collecting National Non Domestic Rates

The Department of Communities and Local Government are to introduce a Business Rates Deferral Scheme for 2012-13 enabling ratepayers to defer 60% of the RPI increase in their rates bills which will be paid back equally in the following two years, and will also further extend the current increase in small business rate relief. The additional administrative and promotional costs, including software, associated with

these initiatives will be funded by Government grant. The additional expenditure and grant associated with this decision have not been quantified at this time and have been excluded from the 2012-13 estimates as the initiative is expected to be cost neutral.

When compared to the original 2011-12 estimates, the Cost of Collection of Business Rates shows an increase of £17,640 in the revised estimate and £9,980 in the 2012-13 estimates; in both cases the increase is due to the increase in recharges and relates to increased time allocation by Revenues staff.

22. Cost of Council Tax Collection

The Cost of Council Tax Collection has increased by £20,440 in the revised estimate 2011-12 when compared to the original estimate and by £4,680 against the 2012-13 estimates. In both 2011-12 and 2012-13 this is primarily attributable to a reduction in income recovered from court costs, other factors include a small decrease in bailiff fees in 2011-12 and a decrease in Staffing and Overhead Recharges in both years relating to contact centre costs.

23. Elections and Register of Electors

The revised Elections estimates for 2011-12 of £109,610 show a decrease of £28,230 when compared to the original reflecting additional cost recovery relating to the Electoral Reform Referendum and in year savings on the cost of postage and delivery of poll cards; an increase of £15,750 in the 2012-13 estimate reflects an increase in staff time allocation recharges.

The main variance in the Register of Electors estimates in the revised 2011-12 and 2012-13 estimates is due to an increase in the cost of delivery and return of forms reflecting area growth.

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

25. Democratic Representation

When compared to the original 2011-12 estimates, the 2011-12 revised estimates and 2012-13 have increased by £45,810 and £68,400 respectively; in both years being primarily due to an increase in recharges.

26. The sum of £63,000 has been included for the Standards Budget in the list of Precautionary Items which will be presented to Cabinet in February.

27. **CAPITAL ESTIMATES: Revised 2011-12 and Estimates 2012-13 to 2014-15**

The overall capital programme for the Council will be subject to consideration by the Cabinet and Council in February. The capital programme for this Portfolio includes expenditure relating to the Staffing and Central Overhead accounts and was submitted to the previous Finance and Staffing Portfolio Holder meeting in December. **Appendix C** shows the capital programme relating to the Finance and Staffing Portfolio, included is £22,000 relating to planned work on the Council's vestibule area £10,000 of which was rolled over from 2010-11, the revised figure reflecting the actual expected cost; work begins in January 2012.

### Balance in Reserves

28. Retention monies of £83,000 relating to the building of the Cambourne offices are held in an earmarked reserve, payment not being due until the completion of the greenway adjacent to the Council offices.

### Options

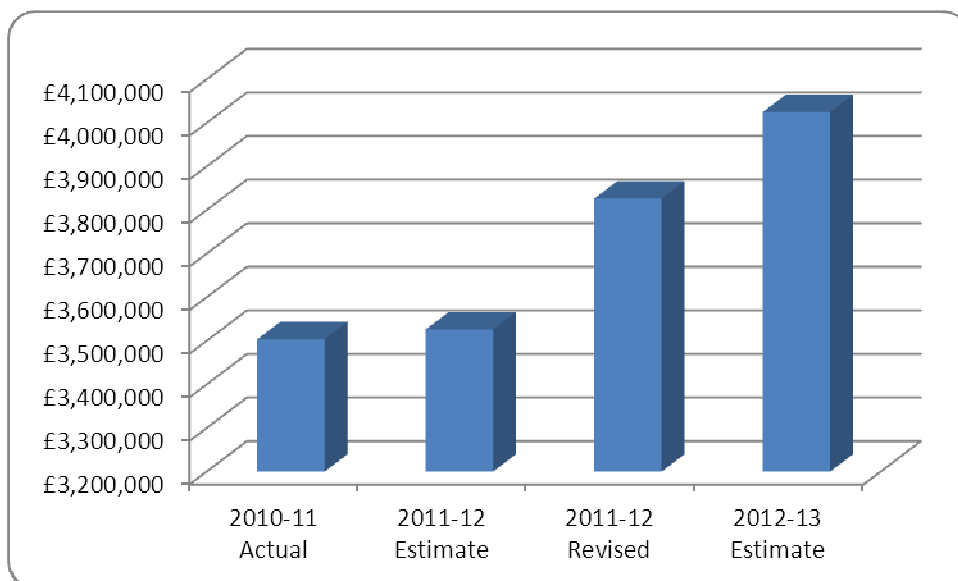
29. To endorse or reject the 2011-12 revised and 2012-13 original revenue estimates.

### Implications

30. The estimates for the General Fund Services of this Portfolio will be included in the General Fund Summary of estimates to be presented to Cabinet and Council together with the expenditure of other Portfolios.
31. The Capital Estimates for this Portfolio will be included in the Council's Capital Programme.
32. The total net expenditure as shown at **Appendix A** is reproduced below to show the percentage changes between budgets:

	Amount £	Increase £		Increase %	
<b>2010-11 Actual</b>	3,503,618				
		22,452		0.64%	
<b>2011-12 Estimate</b>	3,526,070				
		300,290	} 498,840	8.51%	} 14.14%
<b>2011-12 Revised</b>	3,826,360				
		198,550		5.18%	
<b>2012-13 Estimate</b>	4,024,910				

These comparisons are shown graphically below:



33.	Financial	The financial implications resulting from this report are set out in paragraphs 13 to 25 above.
	Legal	There are no direct legal implications resulting from this report. The estimates show the financial effect of decisions that have already been made.
	Staffing	There are no additional staffing implications resulting from this report. The estimates reflect staffing decisions already made.
	Risk Management	These estimates need to be endorsed so that they can be included in the General Fund Summary to be presented to Cabinet and confirmed by Council in February 2012.
	Equality and Diversity	There are no direct equality and diversity implications resulting from this report. Equality and diversity issues will have been considered in the decisions which these estimates reflect.
	Equality Impact Assessment completed	No As above
	Climate Change	There are no direct climate change implications resulting from this report. Climate change issues will have been considered in the decisions which these estimates reflect.

### Consultations

34. 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 Strategic Aims

35. To determine detailed Finance and Staffing Portfolio budgets to provide the resources for the Council to continue its services to achieve its strategic aims as far as possible within the current financial constraints.



## **Conclusions / Summary**

36. This report presents the revised 2011-12 Finance and Staffing Portfolio Revenue Estimates, and the related 2012-13 Estimates for endorsement by the Finance and Staffing Portfolio Holder prior to summarised inclusion in the report for approval by Cabinet and confirmation by Council in February 2012, and presents the revised 2012-13 Land Charges schedule of charges for approval by the Portfolio Holder.

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

Estimate files within the Accountancy Service

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