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REPORT TO:	ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	3rd JANUARY 2012	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE	OPEN
MEMBERS' CONTACT POINT:	CHIEF FINANCE OFFICER KEVIN STACKHOUSE (01283 595811) <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	DOC: u/ks/budget round1213/ policy reports/EDS budget committee 1213
SUBJECT:	SERVICE BASE BUDGETS 2012 / 2013	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: EDS

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## 1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2012/13 for the Committee's Services are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the proposed fees and charges as detailed in **Appendix 4** for 2012/13 are considered and approved.

## 2.0 Purpose of Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2012/13, with a comparison to the current year, 2011/12. This includes an overview of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2012/13 subject to the Council's overall medium-term financial position. This will be considered by the Finance and Management Committee during the coming month.
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for the next financial year. A summary is also included of the Committee's existing capital investment programme.

## 3.0 Summary and Overview

- 3.1 The Committee is responsible for some large spending areas, in particular on Waste Collection and Street Cleansing, together with a range of services across Environmental Health.

## **Income**

- 3.2 In addition, the Committee is responsible for services where substantial amounts of income are generated for the Council. These include licensing, trade waste collections, together with building regulation applications, land charges and local planning applications. In total, these amount to approximately £1.3m per year.
- 3.3 Given this, these income streams can have a big impact on the Council's overall financial position. Income can be difficult to predict and is subject to external factors such as the type and volume of planning applications and when individual licences are due for renewal.
- 3.4 Consequently, income from these areas is considered to be a fairly high risk in the Council's medium-term financial plan (MTFP).
- 3.5 As previous budget and monitoring reports have highlighted over the last three years, the current economic downturn has had a negative impact on these major income streams and this has had a significant effect on the Council's overall financial position.
- 3.6 During 2011/12, there has been some leveling off and income has stabilised at current predicted levels following several financial periods of a reducing base. However, the budgets proposed are still lower than currently assumed in the Council's Medium Term Financial Plan (MTFP).
- 3.7 The current economic situation is set to continue for the foreseeable future. As a growth area, it is expected that these income streams will again pick up when the economic situation improves.

## **The Council's Overall Financial Position**

- 3.8 The Council's Medium-Term Financial Plan (MTFP) was reviewed and updated in October 2011 ahead of the Government's detailed financial settlement for local authorities. Pressure remains on the medium term position with the continuing economic situation and the possible reductions in central funding beyond 2012/13.
- 3.9 During this budget round, all services were asked to look closely at current spending and adopt a "zero based" approach to budgeting. The Finance and Management Committee will consider the detail of the overall financial position on 12<sup>th</sup> January 2012, including proposals from this Committee. Therefore, it is important that this Committee scrutinises its spending base closely.

## **Summary of Expenditure**

- 3.10 The following table provides an overall summary at main service level, of the Committee's net revenue expenditure.

<b>Analysis of Net Revenue Expenditure Budgets 2011/12 and 2012/13</b>	<b>Approved Budget 2011/12</b>	<b>Proposed Budget 2012/13</b>	<b>Change</b>
Economic Regeneration	£256,160	£271,154	£14,994
Environmental Services	£633,113	£639,170	£6,057
Highways	£10,354	-£3,310	-£13,664
Licensing and Land Charges	-£57,181	-£54,214	£2,966
Planning and Building Control	£466,764	£484,105	£17,342
Town Centre	£58,336	£59,470	£1,134
Waste Collection & Street Cleansing	£1,615,150	£1,681,180	£66,030
Environmental Education	£71,194	£70,616	-£577
Central & Departmental Accounts	£801,467	£807,420	£5,953
<b>Committee Total</b>	<b>£3,855,356</b>	<b>£3,955,591</b>	<b>£100,235</b>

3.11 The above table shows that the Committee's net expenditure is estimated to increase overall between 2011/12 and 2012/13 by approximately £100,000.

3.12 However within this there are internal transfers between committees of approximately £80,000 and increased national insurance contributions of over £50,000. In summary, the main reasons for the increase are as follows:

<b>Known and Internal Changes</b>	
One-off expenditure falling out	-£27,906
Internal transfers	£82,838
Employee costs	£19,473
Reduction in Insurance Premiums	-£6,834
Sub - Total	£67,571
<b>Additional Changes</b>	
Changes in Income Levels	-£75,588
Additional Costs	£166,529
Proposed Savings	-£58,277
<b>TOTAL CHANGE</b>	<b>£100,235</b>

### **One-off Expenditure**

3.13 This relates to services where additional budget was provided in 2011/12 for that year only or where one-off costs have been incurred due to a restructure. This expenditure can be funded either from external sources or from approved under spending brought forward from the previous year.

3.14 The amount in the above table relates to redundancy costs associated with the approved restructure of Environmental Services during 2011.

## **Internal Transfers**

- 3.15 This is where income and expenditure has been switched between different cost centres to reflect the needs of the service. For example, a cost centre in Planning Services has been split to reflect the various facets of Building Regulations – enforcement work, fee earning activity, etc.
- 3.16 The balance remaining mainly relates to the transfer of a function (in accounting terms) from Housing and Community Services Committee. This has been split from private sector housing budgets and relates to work around unfit properties/structures to reflect the environmental aspects of that service area.

## **Employee Costs**

- 3.17 These costs have changed due to the full year effects of restructures reducing costs from 2012/13 onwards. Some of this may have been offset by incremental changes in pay as employees move through their pay grade. Costs may also increase where employees join the pension fund.
- 3.18 Generally, these costs are taken into account as part of the overall Medium-Term Financial Planning and as such are known and built into forward budgets.
- 3.19 In addition, some time allocations of senior offices have been reviewed and reallocated to reflect a change of responsibilities following the senior management and service restructures during 2010/11.

## **National Insurance Contributions (NIC)**

- 3.20 However, there will be a significant increase in NIC from April 2012. This is due to changes announced in the Government's 2011 Budget which will reduce the current rebate given for contracted out (of the second state) pension schemes.
- 3.21 This applies to the local government pension scheme and will increase the Council's NIC by approximately £90,000 per year (just over £50,000 for this Committee).

## **Reduction in Insurance Premiums**

- 3.22 The Council renewed its premiums in September 2011 following a review of its claims experience by the Council's insurers. This produced a saving in overall premiums across the Council's main policies of approximately £30,000 per year.
- 3.23 For this Committee, there is an overall reduction of just under £7,000. The main reduction relates to the Council's vehicle fleet, which shows a saving of £4,000.

## Income Levels

3.24 An analysis of the main income streams is summarised in the following table.

<b>Service Area</b>	<b>Approved Budget 2011/12 (£'000)</b>	<b>Proposed Budget 2012/13 (£'000)</b>	<b>Change (£'000)</b>
Trade Waste Collections	238	252	+ 14
Licensing and Environmental Services	218	229	+ 11
Building Regulations	210	225	+ 15
Planning Application Fees	538	538	0
Land Charges	125	105	- 20
<b>Total Income (main Service Areas)</b>	<b>1,329</b>	<b>1,349</b>	<b>+ 20</b>

### Trade Waste Collections

3.25 The additional £14,000 is anticipated from a proposed increase in fees of 5%. This is to cover increasing costs of disposal charges and fuel.

### Licensing and Environmental Services

3.26 The increase mainly relates to Export Food Safety Certificates. The amount of these being issued is increasing as local businesses have been exporting greater food items.

3.27 The budgeted income for this year 2011/12 is £8,800. This is expected to out-turn at over £25,000 and was £21,000 in 2010/11. Clearly a trend is establishing and the proposed budget for 2012/13 is £22,000.

### Building Regulations

3.28 Income is increasing slightly after some levelling off in reductions over previous financial periods. An increase is anticipated over the current base budget in 2012/13.

### Planning Application Fees

3.29 No increase is anticipated at this stage in overall income. The actual income for 2011/12 is currently estimated to be approximately £10,000 higher than the budget of £538,000.

### Land Charges

3.30 Income in this area continues to fall. The actual income for 2011/12 is currently estimated to be approximately £13,000 lower than the budget of £125,000. This trend is assumed to continue in 2012/13.

## Comparison to the MTFP

3.31 The proposed income budgets compared to that included in the MTFP is shown in the following table.

<b>Service Area</b>	<b>MTFP 2012/13 (£'000)</b>	<b>Proposed Budget 2012/13 (£'000)</b>	<b>Variance (£'000)</b>
Trade Waste Collections	244	252	+ 8
Licensing and Environmental Services	223	229	+ 6
Building Regulations	240	225	- 15
Planning Application Fees	598	538	- 60
Land Charges	125	105	- 20
<b>Total Income (main Service Areas)</b>	<b>1,430</b>	<b>1,349</b>	<b>- 81</b>

3.32 This shows that overall income now estimated for 2012/13, is approximately £81,000 below that contained in the MTFP. This will affect overall resources and will need to be reviewed as part of the revised financial plan to be considered by the Finance and Management Committee on 12<sup>th</sup> January.

3.33 The main reasons for the overall reduction (compared to the Plan) are planning fees and land charges income. Within the MTFP, it is assumed that income would start to increase as the economic situation strengthened.

3.34 Although income from building regulations and planning fees is showing signs of increasing, they are not expected to achieve the levels in the current MTFP by 2013.

### Cost Pressures and Budget savings

3.35 There are several areas where the cost base continues to change and some budget reductions have been identified following the zero based spending review. These are detailed in the following sections.

### Fuel and Transport Costs

3.36 This has been increased by approximately £22,000 in 2012/13. This is in addition to the approved increase in the base budget of £30,000 in 2011/12. Fuel costs are now estimated at just under £300,000 for 2012/13, a 20% increase compared to the original base budget in 2011/12.

3.37 This increase has been partly offset by other reductions in transport costs, in particular leasing charges. All leases are now substantially repaid regarding council vehicles.

## **Waste Collection, Recycling and Street Cleansing**

- 3.38 Excluding internal allocations and the effects of national insurance, overall net costs are fairly neutral although there are some fairly large variances within this. Gross costs base is estimated to increase by approximately £105,000 in 2012/13, although this will be almost entirely offset by additional income and budget savings.
- 3.39 The biggest increase is on recycling and composting where additional disposal costs and fuel prices are expected to increase by £70,000 in 2012/13. However, around £40,000 is estimated to be generated in recycling credits against this.
- 3.40 Employee costs are expected to rise in overtime and temporary cover for sickness absence. An additional £25,000 has been built into the base budget for 2012/13. As highlighted in the recent budget monitoring report to the Finance and Management Committee on 1<sup>st</sup> December, this cost is currently running at £44,000 above budget for 2011/12.
- 3.41 In total, additional income and budget savings of £98,000 are estimated in 2012/13. In addition to the recycling credits of £40,000, trade waste income (as detailed previously) is expected to rise by £14,000.
- 3.42 Furthermore, leasing costs are reducing by £24,000 as old agreements expire. There are then various savings anticipated from vehicle hire and materials together with additional income from the sale of some plastics and cans.
- 3.43 Options for recycling cardboard following the change in regulations in October 2010 are currently being considered. This includes costs and potential sources of funding. This will be reported separately to the Committee and at this stage nothing has been reflected in the proposed budgets.

## **Car Parks and Enforcement**

- 3.44 Following a revaluation of national non-domestic rates, an increase of approximately £9,500 has been built into the base budget. This is subject to appeal, but at this stage the budget has been increased for 2012/13.
- 3.45 However, this has been off set by an increase in income from fines from parking enforcement. The Council is partly liable for the income and expenditure associated with enforcing off-street regulations. Although the scheme is managed by the County Council and the costs borne direct by that Authority, the District takes a share of the net surplus or deficit each year.
- 3.46 A surplus has been increasing over the last two years but has not previously been reflected in the base budget. From 2012/13, an estimate of £10,500 has been included which reflects the current activity across the District.

## **Pest Control Services**

- 3.47 Lower costs are anticipated for 2012/13 of approximately £7,000. This is due to more work being provided from “in-house” resources and less work being passed onto the appointed contractor.

## **Housing and Planning Delivery Grant**

- 3.48 As previously reported, the Council is using allocations of this grant reserve to fund expenditure in the Planning Department until 2012/13. This will be drawn down at £183,000 for 2011/12 and £171,000 for 2012/13; these amounts have been reflected in the base budget.
- 3.49 Provision has been in the MTFP for these grant falling out with net expenditure being increased from 2013/14 to compensate, i.e. there is no corresponding reduction in costs.

## **4.0 Detail**

- 4.1 A “line by line” analysis of the Committee’s budgets as contained in the Council’s main accounting system is detailed in **Appendix 3**. **Appendix 1** summarises the Committee’s budgets at cost centre level with **Appendix 2** breaking down the changes between 2011/12 and 2012/13 for each cost centre.

## **Zero Based Budgeting**

- 4.2 Traditionally, budgets are built up on an incremental basis, i.e. they are maintained at the same level as the previous year adjusted only for known changes and variations that have been identified through a restructure or efficiency programme.
- 4.3 For 2012/13, a different approach was taken in that budgets were built up from a zero base. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner.
- 4.4 This accounts for some of the variances between budget heads when comparing 2012/13 back to 2011/12. In addition, the upgrade of the Council’s Financial Management System has streamlined the Chart of Accounts and meant some budget reallocations within services. This has also allowed some new analysis of budgets such as the reporting of Planning Services.
- 4.5 As usual, the base budgets exclude the costs of internal support service charges, together with any statutory pension adjustments.
- 4.6 These are considered by the Finance and Management Committee in detail and will be allocated across services in accordance with accounting regulations, when approved through the budget process.



## **Inflation**

- 4.7 The proposed base budget for 2012/13 does not at this stage allow for inflation. Clearly, some base costs will be subject to inflation during the year and in some cases it will be “unavoidable,” for example employee costs, if a national pay increase is approved.
- 4.8 Allowances for inflation based on various assumptions regarding price increases, etc. will be calculated across the main spending heads and in total, held as a central contingency.
- 4.9 In line with current policy, this contingency will be reviewed and monitored by Finance and Management Committee and allocated into service budgets, as the actual effects of inflation become known over the year.

## **Growth**

- 4.10 The Council’s MTFP continues to hold a provision for increased costs of waste collection due to the growth of the district. This is a phased increase from 2011/12, and eventually rises to £100,000 per year. However, the provision will only be included in the base budget when it is clear that growth has had a significant impact and an additional cost is effectively unavoidable.

## **General Basis of the 2012/13 Base Budget**

- 4.11 Although the principle of a zero based budget was adopted to justify spending in individual budget heads, the estimates are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality, etc.).
- 4.12 However, the full year effects of previous year’s restructures and efficiencies are included, with any non-recurring items removed as identified in the report.

## **Capital Investment**

- 4.13 A budget of £30,000 remains in 2011/12 to complete restoration/heritage works in conservation areas. This is being funded by English Heritage and is the final phase of a three year programme.

## **New Investment**

- 4.14 Currently, 14 schemes are being evaluated for investment following additional capital funding generated from the sale of Bretby Crematorium in May 2010. Two schemes are relevant to this Committee:

- Replacement of Noise Monitoring Equipment – £13,000
- Purchase of GIS Software (Land Contamination) - £16,000.

- 4.15 Both schemes propose investment in ICT to improve the monitoring of pollution and health issues. Finance and Management Committee will consider all investment proposals on 12<sup>th</sup> January.

## **Proposed Fees and Charges 2012/13**

4.16 **Appendix 4** provides a schedule of the proposed level that will operate from 1st April 2012, together with a comparison to the existing charge. Where applicable, VAT is also added at the standard rate.

4.17 A detailed review of fees and charges has been undertaken as part of this budget round. Where possible, charges have been increased to reflect inflation that is currently running at approximately 5%, although due to roundings this can vary. Some of the key points are highlighted below.

### **Collection of Trade Waste**

4.18 It is proposed to increase all current charges by an average of 6% in 2012/11. This is to cover the rising costs of disposal charges and fuel. It is considered that the Council's prices will remain competitive compared to other service providers in the commercial waste field.

### **Land and Property Searches**

4.19 No changes are proposed for 2012/13. The current fee structure was reviewed in detail following the abolition of the personal search fee in October 2010 and approved by the Committee. As highlighted earlier, overall income continues to fall.

### **Licenses and Charges under the Licensing and Gambling Acts 2005**

4.20 As the licensing authority, the Council is required to comply with the charging regime set under statute. The fees quoted are the maximum charge under the legislation. However, it is unlikely that these licenses, for example that apply to casinos, will be applicable.

4.21 Where the authority has discretion such as food export certificates, a 5% increase is proposed for 2012/13.

### **Private Hire Licenses**

4.22 It is proposed to increase prices by 5%. The fee for transferring a vehicle is proposed to increase from £22 to £38 to reflect fees charged by neighbouring authorities.

### **Other Environmental Health Charges**

4.23 It is proposed to increase these charges, such as those for pest control services, by an average of 5%.

### **Planning Services**

4.24 These do not include fees for planning applications, which are currently set nationally. The proposal for fees for other services, advice and guidance is to increase by inflation although some information is freely available on the

Council's web site. Several new discretionary charges are proposed under the Local Government Act 2003.

## **Fees for Building Regulations**

4.25 A comprehensive review of charges was undertaken in 2010 in accordance with the Building (LA Charges) Regulations. The approved fee structure is designed to recover building regulations costs and associated matters. These can be accessed at:

[http://www.south-derbys.gov.uk/Images/Building%20Regulations%20-%20Fees%20from%207%20Feb%202011\\_tcm21-156833.pdf](http://www.south-derbys.gov.uk/Images/Building%20Regulations%20-%20Fees%20from%207%20Feb%202011_tcm21-156833.pdf)

## **5.0 Financial Implications**

5.1 As detailed in the report

## **6.0 Corporate Implications**

6.1 There are no other direct legal, personnel or other corporate implications apart from those considered in the report.

## **7.0 Community Implications**

7.1 The proposed budgets and spending under the responsibility of the Committee, provides the financial resources to enable many of the on-going services and Council priorities to be delivered to the local community.

## **8.0 Background Papers**

8.1 None

