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<b>REPORT TO:</b>	<b>ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM:</b>
<b>DATE OF MEETING:</b>	<b>8th JANUARY 2015</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/budget round1516/ base budget policy reports/1 EDS//EDS budget committee 1516
<b>SUBJECT:</b>	<b>SERVICE BASE BUDGETS 2015 / 2016</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: EDS</b>

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## **1.0 Recommendations**

- 1.1 That the proposed revenue income and expenditure for 2015/16 for the Committee's Services as detailed in **Appendix 1** are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the proposed fees and charges as detailed in **Appendix 3** for 2015/16 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 2015/16, with a comparison to the current year, 2014/15. 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 2015/16 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 of the Committee's existing capital investment programme is also included.

### **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 The Committee is also responsible for services where substantial amounts of income are generated for the Council which contributes to the cost of services. These include licensing, trade waste collections, together with building regulation applications, land charges and local planning applications. In total, these generate income of approximately £1.4m per year.

3.3 Consequently, these income streams can have a big impact on the Council's overall financial position and are considered to be a risk in the Council's Medium-Term Financial Plan (MTFP). Amounts are difficult to predict and are subject to external factors such as the type and volume of planning applications and when individual licences are due for renewal.

3.4 In accordance with Regulations, income should not be to such an extent from year to year, that large surpluses are made. This is particularly the case for Planning Fees, Building Regulations, Land Charges and Licensing. Any additional income should ideally be reinvested back into the services, used as a contribution to non-chargeable work or prices charged for services reduced.

3.5 Apart from Trade Waste, after charging overheads, none of these services currently show large surpluses. In addition, income from planning fees has been set-aside to meet one-off costs associated with appeals and the Local Plan.

3.6 From around 2009/10, the economic downturn had a negative impact on these major income streams, which adversely affected the Council's overall financial position. Consequently, the Base Budget for income was reduced and has remained static since that time.

3.7 However, over the last couple of years, there has been a steady increase in income compared to that budgeted. This pattern has continued in 2014/15, with the increase in planning fees in particular, already exceeding the budget for this financial year.

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

3.8 The Council's Medium Term Financial Plan (MTFP) was reviewed and updated in October 2014. This showed that the General Fund has built up a good level of reserves, mainly due to budget underspends. Much of this has been due to one-off factors such as staffing vacancies and additional income.

3.9 Whilst in recent years, this has been a familiar pattern, it cannot be guaranteed in future years. Current spending is still projected to be greater than income as costs are expected to increase and overall core funding

reduces. Consequently, there is an underlying budget deficit and this is still a key factor for financial planning.

- 3.10 The Finance and Management Committee will consider the detail of the overall financial position on 15<sup>th</sup> January 2015, including proposals from this Committee. Therefore, it is important that this Committee scrutinises its spending base closely to identify potential budget savings and carefully examines any areas where there are any proposals to increase spending.

### Summary of Expenditure

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

Summary of Net Revenue Expenditure	Approved Budget 2014/15 £	Proposed Budget 2015/16 £	Change £
Transport and Plant	702,298	855,558	153,260
Economic Development	233,829	236,294	2,466
Environmental Education	69,104	69,103	-0
Environmental Services	533,252	466,884	-66,368
Highways	18,652	5,347	-13,304
Licencing and Land Charges	-46,162	-65,271	-19,109
Planning	570,956	485,334	-85,622
Off Street Parking	69,463	58,617	-10,845
Waste Collection & Street Cleansing	1,468,677	1,567,156	98,480
<b>Total - Net Expenditure</b>	<b>3,620,067</b>	<b>3,679,024</b>	<b>58,957</b>

- 3.12 The above table shows that the Committee's net expenditure is estimated to increase overall between 2014/15 and 2015/16 by £58,957. An analysis of the changes within each service area is detailed in **Appendix 2**. A summary of the changes is shown in the following table.

Change in Base Budget 2014/15 to 15/16	£'000
Increases in Income	(128)
Budget Savings	(79)
Pay Award	70
Other increases in Pay	98
Increases in Service Costs	62
Decreases in Service Costs	(78)
Transfers from Earmarked Reserves	(26)
<b>Change in Service Expenditure</b>	<b>(81)</b>
Add: Increase in Depreciation	106
Add: Transfer to other Committees	34
<b>Overall Base Budget Increase</b>	<b>59</b>

3.13 Although overall, there is a proposed increase of £59,000, this is after adding in internal/accounting adjustments for depreciation and transfers to other Committees. The table shows that the actual change in service expenditure is an overall reduction of 81,000. Details of all the changes are provided in the following sections.

**Depreciation (Increase of £106,000)**

3.14 Depreciation charges are reversed out in Finance Committee on consolidating the Council’s budget. They reflect charges for using capital assets in service delivery in accordance with accounting regulations.

3.15 The increase relates to vehicles and plant as assets are written down in the Council’s accounts.

**Transfer to other Committees (£34,000)**

3.16 This includes a transfer out of agency income to the Housing and Community Services Committee (£42,000) to match costs incurred by grounds maintenance for highways related work. This is offset by a transfer in of income from Finance Committee (£8,000) for contributions to the cost of area planning meetings following the restructure of Planning and Community Services.

3.17 It should be noted that overall income has not changed, only the allocation between policy committees.

**Increases in Income (£128,000)**

3.18 It is proposed to increase the base budget in several areas to reflect more recent income levels that are anticipated to continue. This follows more cautious estimates in recent years to reflect the economic situation. However, the increased budgets are still below actual income currently being generated. The main increases are shown in the following table.

	<b>£’000</b>
Food Safety Certificates	10
Trade Waste	16
Recycling Credits	15
Building Regulations	13
Planning Applications	50
External Contributions	17
Other Increases	7
<b>Total Increase</b>	<b>128</b>

**Budget Savings (£79,000)**

3.19 These reflect the savings achieved from approved restructures in 2014/15. These are the on-going budget savings from 2015/16 and relate to Land Charges (£30,000) and Environmental Health (£49,000).

### **Pay Award (£70,000)**

- 3.20 A national pay award for local government staff was agreed in November 2014. This increased most pay scales by 2.2% from 1<sup>st</sup> January 2015, with larger increases for the 6 lowest pay points and smaller increases for Chief Officers.
- 3.21 In addition, a one-off, non-consolidated payment was awarded to most pay points equating to a further 1% of current pay, again rising for the lower pay points.
- 3.22 This award will run to March 2016 when pay will again be reviewed. The cost of the award in 2014/15 and 2015/16 will be financed from an inflation contingency, a separate amount set-aside corporately, in the Council's Budget. The increase relating to this Committee has been included in the Base Budget proposals.

### **Other Increases in Pay (£98,000)**

- 3.23 Increases have been added for employees on career graded posts and those subject to incremental steps within a specific grade which recognises experience and development. The total for this Committee is £10,000 and provision is made separately within the MTFP for these increases.
- 3.24 In addition, on-going increases (£60,000) have been built into the proposed budget for overtime and agency costs in waste and street cleansing services. It is expected that these costs will reduce over the year as vacancies and replacement posts are filled.
- 3.25 Furthermore, the post of Graduate Planner (as approved in October 2014) has been added to the establishment. This will cost £28,000 per year for three years and will be financed by additional income in 2014/15.
- 3.26 This is reflected in the Reserve Funding, which will be drawn down to ensure that there is a neutral impact on the Committee's Base Budget.

### **Cost Increases (£62,000)**

- 3.27 The main increase continues to be the cost of vehicle repairs and maintenance. The Budget for 2014/15 is currently overspending and it is proposed to increase the Base Budget in 2015/16 by £40,000.
- 3.28 Some older vehicles have recently been replaced from the Capital Renewals Fund and some larger vehicles, such as refuse freighters, are due to be replaced in 2015/16. This would reduce the impact on the annual repairs budget.

### **Cost Reductions (£78,000)**

- 3.29 These mainly arise from Planning Services as professional costs (£29,000) for developing the Local Plan through to examination, will now reduce.

- 3.30 In addition, following service revisions and in particular the transfer of channel sweeping to in-house provision, maintenance costs (£30,000) associated with some highways work, public conveniences and the town centre, are picked up by the Grounds Maintenance Service
- 3.31 Some additional costs have been included in that service area and now form part of the budget within Housing and Community Services Committee.

#### **4.0 Detail**

- 4.1 **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** analysing changes between 2014/15 and 2015/16 for each cost centre.

#### **Basis of the Budget**

- 4.2 Budgets are usually calculated 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 However, many budgets are also subject to a base line review which is used to justify proposed spending. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner.
- 4.4 As well as identifying possible budget savings, it can also identify potential cost pressures; this approach has been well used across the Committee's services.

#### **On-going Service Provision**

- 4.5 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 4.6 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

#### **Central Costs**

- 4.7 As usual, the base budgets exclude the costs of internal central support service charges, together with any statutory pension adjustments.
- 4.8 These items are costed centrally and considered by the Finance and Management Committee in detail, they are allocated across services in accordance with accounting regulations when approved through the budget process.

## Pension Contributions

- 4.9 Some changes have occurred to the allocation of pension costs due to the way that the lump sum payment to the Administering Authority has been allocated. The overall cost however, has not changed.

## Inflation

- 4.10 The base budget for 2015/16 has been uplifted by inflation in 2014/15 where this applies, for example, the 2014 national pay award. However, proposed budgets for 2015/16 do not at this stage allow for future inflation.
- 4.11 Clearly, some base costs will be subject to inflation during future years and in some cases it will be “unavoidable,” for example employee costs, when national pay increases are approved.
- 4.12 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.
- 4.13 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.

## Risks

- 4.14 Additional costs associated with staffing in waste and cleansing services have been built into base budgets, together with the cost of vehicle repairs. These items are detailed in the report.
- 4.15 Other financial risks associated with the Committee’s services are identified in the following table.

Risk	Issue	Action
<b>Income</b>	Budgeted income from Planning, Licensing, etc. totals £1.5m and is not sustainable.	Base Budgets are below current actuals and that projected so they are considered prudent at this stage. The amount is dependent on local growth although this is considered positive.
<b>Staffing levels in Planning</b>	Current level has around 3 more posts than the budgeted establishment due to temporary staff being employed. Additional cost is £60,000 per year and this is currently being contained within overall service costs in 2014/15. As no prior approval exists for these posts on an on-going basis, they are not included in the Base Budget for 2015/16.	A formal appraisal needs to be undertaken if these posts are to continue.

<b>Costs of the Local Plan</b>	One-off costs associated with consultation, examination, publication and potential Public Inquiry. Total cost estimated at £160,000. If there is a Public Inquiry, this estimate could rise.	Earmarked Reserve set-aside for £200,000. Could be a requirement to use additional income in 2014/15 to increase the Reserve.
<b>Agency Income</b>	The County Council reimburse highway maintenance and gulley cleaning costs of £275,000 per year. It has been indicated that this is under review with a reduction of up to 15% (£40,000) possible.	Keep under review and assess implications if any reduction is proposed.
<b>Recycling</b>	Overall cost of Kerbside Recycling Scheme increases. New and expanded scheme implemented in October 2013.	The new scheme has now bedded in; current recycling credits are greater than estimated with costs generally fixed. It is considered that the future risk is reducing but will be kept under review as part of usual monitoring arrangements.
<b>Growth</b>	The Council's MTFP identifies underlying cost pressures yet to surface as a risk, due to pressure on services such as refuse collection.	An on-going amount of £100,000 has been set-aside in the MTFP; this will be kept under review.

## Capital Investment

4.16 The Committee has one approved scheme remaining in the current capital programme for 2014/15. This relates to restoration/heritage works in conservation areas, which is being externally funded to a maximum of £30,000.

## Proposed Fees and Charges 2015/16

4.17 **Appendix 3** provides a schedule of the proposed charges that will operate from 1st April 2015, together with a comparison to the existing charge. Where applicable, VAT is also added at the appropriate rate.

4.18 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 and the demand for services. The key points are detailed in the following sections.

## Collection of Trade Waste

4.19 It is proposed to increase some prices to reflect increased disposal costs charged by the Disposal Authority, although there are no significant absolute increases

4.20 The budget proposals show a small increase in overall income from £236,000 to £240,000 per year to reflect the increased charges.

### Land and Property Searches

4.21 As in 2014/15, no changes are proposed for 2015/16. Overall income has been steadily increasing over the last year due to a greater number of searches.

4.22 Total income remains unchanged for 2015/16 at £100,000, although this is expected to be exceeded in 2014/15.

### Charges under the Licensing and Gambling Acts of 2003 and 2005

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

4.24 The fees are designed to cover actual costs. Following a review during 2013, the charges that apply to the Council are considered to cover costs and no adjustment is proposed at this stage.

### Animal Licensing

4.25 A full review of these fees was undertaken in 2013. Following this review, the Committee agreed, during last year's Budget Round, to increase all animal licensing fees (with the exception of Zoos) in order to cover the costs of their respective regime.

4.26 A "breakeven fee" was calculated for each license which represented a substantial increase over some of the prevailing fees as shown in the following table.

#### **Animal Licences: Fees Compared to Break-Even Charge ([as at December 2013](#))**

<b>Animal Licences</b>	Existing Charge £	Break even Charge £	Difference £	Proposed 14/15 £
Pet shops	65	143	+ 78	91
Riding establishments	119	186	+ 67	141 (+ Vet Fees)
Animal Boarding Premises ( <i>see Note below</i> )	97	163	+ 66	97 (Home Boarding) 130 Kennels and Catteries
Dangerous wild animals	198	204	+ 6	204 (+ Vet Fees)
Breeding of dogs	97	114	+ 17	114 (+ Vet Fees)
Zoos	193	193	0	193

**Note:**

The amount of time required to process and compliance check home boarding establishments is less than that required for kennels and catteries due in part to the restrictions placed on home boarders. Due to this, it was agreed to separate the one current fee into two, to reflect the separate boarding types.

4.27 Where the difference was greater than 20% or £30, it was agreed that the increase be phased in over a period of 3 years to avoid potential hardship or challenge from the trade and that the position be reviewed during 2014.

4.28 Following a review, the updated position is shown in the following table:

**Animal Licences: Fees Compared to Break-Even Charge (as at December 2014)**

Animal Licences	Existing Charge £	Break even Charge £	Difference £	Proposed 15/16 £
Pet shops – grant of License	91	182	+ 91	121
Pet shops - renewal	91	149	+ 58	111
Riding establishments (new and renewal)	141	149	+ 8	149 (+ Vet Fees)
Animal boarding (Home)	97	97	-	97
Animal boarding (Kennels and Catteries)	130	143	13	143
Boarding – variation	-	89	89	89
Dangerous wild animals	204	204	-	204 (+ Vet Fees)
Breeding of dogs – grant of License	114	180	+ 66	136 (+ Vet Fees)
Breeding of dogs – renewal	114	163	+ 49	130
Breeding – variation	-	110	110	110
Zoos	193	740	547	740

4.29 The cost to the Council has been reviewed and where the difference is greater than 20% or £30, it is proposed to continue a phased approach to the full charge over 3 years. Two new charges for varying licenses are also proposed. The license for zoos is now subject to four years under statutory requirements.

4.30 No advertising or consultation is legally required for changes to these types of licenses.

### Private Hire Licences

4.31 A review of these fees was also undertaken in 2013 and brought into line with costs. The level of fees still reflects general costs and no changes are proposed for 2015/16, with all charges remaining the same as 2014/15.

4.32 Any increase in Private Hire licence fees over £25 must be advertised and any responses must be considered by the Licensing and Appeals Committee.

## **Other Licences**

- 4.33 The actual cost of licensing Tattooists has been assessed as £116 and it is proposed to increase the current charge of £61 to this level. Where a transfer takes place, a new charge of £48 is proposed.
- 4.34 As regards licences for street trading, current fees are variable depending on usage and reflect charges for market operators. However, this has been a historical practice and will be subject to a further review during 2015.

## **Charges for Private Water Supplies**

- 4.35 With effect from 31<sup>st</sup> December 2014, there has been a new statutory requirement to assess the quality of water from private water supplies. In discharging this duty, the Council have the ability to charge the owner of the private water supply for the costs of the work done up to a ceiling stated in statute.
- 4.36 The Council's strategy is to direct most supply owners to carry out the work themselves and inform the Council of the outcome, in order to reduce their costs. A number have not taken this option, so in order for the Council to comply with its duty, it will have to carry out certain investigations and sampling.

## **Pest Control Charges**

- 4.37 There are no proposals to increase charges in 2015/16.

## **Planning Services**

- 4.38 These do not include fees for planning applications, which are currently set nationally. The proposal for fees for other services, advice and guidance, etc., is to allow an increase for inflation.

## **Fees for Building Regulations**

- 4.39 These are reviewed and approved separately on a periodic basis in accordance with market and general pricing conditions (including legislative requirements) in the sector. The fee structure is designed to recover building regulations costs and associated matters. The current scale of fees, which were reviewed and updated in July 2014, are available at:

[http://www.south-derbys.gov.uk/planning\\_and\\_building\\_control/building\\_control/application\\_forms\\_and\\_fee\\_guidance/default.asp](http://www.south-derbys.gov.uk/planning_and_building_control/building_control/application_forms_and_fee_guidance/default.asp)

## **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 detailed 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