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<b>REPORT TO:</b>	<b>ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>9th JANUARY 2007</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS’ CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (595811)</b>	<b>DOC:</b> u/ks/budget round 0708/eds budget committee 07
<b>SUBJECT:</b>	<b>SERVICE BUDGETS 2006/2007 and 2007/2008</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 budgeted revenue income and expenditure for 2006/07 and 2007/08 for the Committee’s Services are considered and referred to the Finance and Management Committee for approval.
- 1.2 That the Committee’s proposed fees and charges for 2007/08 are approved.

## **2.0 Purpose of Report**

- 2.1 To detail the Committee’s probable out-turn for 2006/07 and the estimate of net revenue expenditure for 2007/08. It is proposed that these estimates will be included in the consolidated budget of the Council for 2007/08 subject to the Council’s overall financial position.
- 2.2 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.
- 2.3 In addition, an analysis of the Committee’s proposed service development bids is also included for consideration at **Appendix 3**. This shows how they fared during the evaluation undertaken by the Council’s Service and Financial Planning Working Group and the initial proposals of that Group to the Finance and Management Committee.

## **3.0 Executive Summary**

- 3.1 The Committee’s net revenue expenditure is summarised in **Appendix 1**. This sets out the budgets for each main cost centre and aggregates several of the main service areas. Notes are also provided to explain the main changes where these

have occurred. A corresponding page reference is provided to **Appendix 4**, where the detail of each cost centre is provided. The following table provides a summary.

<b>Analysis of Net Revenue Expenditure 2006/07 to 2007/08</b>	<b>Approved Budget 2006/07 £'000</b>	<b>Probable Out-turn 2006/07 £'000</b>	<b>Original Estimate 2007/08 £'000</b>
Planning Services	772,360	792,090	644,640
Waste Collection and Street Cleansing	2,252,180	2,290,160	2,433,240
Environmental Services	743,690	608,160	640,700
Highways, Streets and Maintenance	397,990	417,800	457,950
Economic Regeneration	243,610	231,290	227,530
Licensing and Land Charges	43,030	(7,900)	(2,140)
Capital Charges	147,030	74,160	-74,160
<b>Committee Total</b>	<b>4,599,890</b>	<b>4,405,760</b>	<b>4,476,080</b>

- 3.2 Overall, the Committee's net revenue expenditure is reducing, although this largely due to the interplay of departmental and capital charges. A summary of changes in the main service areas is provided below.

### **Planning Services**

- 3.3 Income from planning fees continues to increase and this has been reflected in the overall financial plan of the Council. An additional £75,000 (as income) has now been added into the base budget.
- 3.4 There is an overall increase in expenditure of approximately £100,000 in 2006/07. This has been budgeted for and is being financed from Planning Delivery Grant carried over from 2005/06.
- 3.5 It should be noted that the Council has also made separate provision in its consolidated budget for the potential costs arising from appeals inquiries into planning applications during 2007/08.

### **Waste Collection and Street Cleansing**

- 3.6 Costs are budgeted to increase in 2007/08 as the kerbside collection and in-vessel composting services are expanded. This is in line with the service development approved by the Council as part of the previous budget round and has been included in the Authority's Medium Term Financial Plan.

### **Environmental Services**

- 3.7 The reduction is almost entirely due to a switch (reduction) in recharges from the Environmental Health Department to other services and policy committees. Following an approved staff restructure earlier in 2006, this changed the proportion of resources allocated between services.

## Highways, Streets and Maintenance

- 3.8 The increase in departmental recharges is a consequence of the above, in particular for civic amenities.

## Economic Regeneration

- 3.9 A relatively small reduction in budgeted costs. Some additional resources identified for the Tourist Information Centre in 2006/07 are now being spread out into 2007/08.

## Licenses and Land Charges

- 3.10 Although income on land charges is expected to be lower than originally budgeted, associated costs are also expected to reduce in line with this. The other main variance is in respect of liquor licensing, where income is expected to increase by almost £20,000 per year. This has been built into the base budget.

## Subjective Analysis

- 3.11 The following table provides an analysis of the Committee's services by cost type.

<b>Analysis of Net Revenue Expenditure 2006/07 to 2007/08</b>	<b>Approved Budget 2006/07 £'000</b>	<b>Probable Out-turn 2006/07 £'000</b>	<b>Original Estimate 2007/08 £'000</b>
Employee Costs	997,200	947,290	1,049,540
Premises Costs	807,150	768,560	818,440
Transport and Plant Costs	681,980	694,500	633,970
Supplies and Services	3,302,500	3,228,490	3,439,410
Costs under Agency Agreements	105,880	96,910	98,000
Departmental and Central Recharges	3,009,730	3,086,810	3,045,410
Capital Charges	264,150	220,860	268,230
<b>Total Expenditure</b>	<b>9,168,590</b>	<b>9,043,420</b>	<b>9,353,000</b>
Grants and Reimbursements	789,790	799,680	905,210
Fees and Charges	1,562,330	1,652,540	1,687,250
Internal Recharges	2,216,580	2,185,440	2,284,460
<b>Total Income</b>	<b>4,568,700</b>	<b>4,637,660</b>	<b>4,876,920</b>
<b>Net Committee Total</b>	<b>4,599,890</b>	<b>4,405,760</b>	<b>4,476,080</b>

## 4.0 Detail

- 4.1 All of the Committee's cost centres are detailed in **Appendix 4**. This shows a "line by line" breakdown of the Committee's Services for 2006/07 and 2007/08 as contained in the Council's main accounting system.

## Capital Charges

- 4.2 In accordance with accounting regulations, all services are required to show the capital cost of using assets that are used in providing services. These come in the form of internal recharges from the Council's Finance and Management Committee.

They consist of 3 elements depending on the type of asset/expenditure incurred, as follows:

- An **Interest Charge** on the value of the asset depending on asset type. However, it should be noted that a change in accounting regulations in 2006, has eliminated the need for this charge in local authority accounts. Therefore, where applicable, there may be an original estimate but no probable out-turn for 2006/07.
- **Depreciation** on buildings, plant and equipment to write down the value of the asset over its useful life.
- A **Deferred Charge** that represents capital expenditure due its size but does not produce an asset for the Council. This is usually in the form of grants (e.g. heritage conservation grants) or contributions. These charges, representing the amount of capital investment, are usually written off to the service in the year they are incurred.

4.3 Capital charges can vary from year to year, especially Deferred Charges as they depend on the level of capital grants and contributions in the year. However, it is important to note that they are accounting adjustments in the Committee that are reversed out in the consolidated accounts of the Council (as reported to Finance and Management Committee).

4.4 For this reason, they are shown separately in the summary budgets in **Appendix 1**.

### **Central Establishment Recharges (CEC)**

4.5 These represent the departmental and central support functions. The main recharges into this Committee relate to the cost of the Planning, Environmental, Waste and Cleansing Departments.

4.6 These charges can also vary between years in individual cost centres depending on how staff time is broadly allocated across services, or on changes to volumes and activity levels, for example, number of invoices processed. Allocations can change when there are restructures, additional resources approved or virement of funds between services.

4.7 In accordance with best value principles and to show the “true” cost of services, accounting regulations require that a fair and equitable charge, based on a suitable measurement, should be charged to all services who benefit. This benefit may be indirect due to the regulatory nature of the work or direct where a support/advice function is provided.

4.8 The costs are infact internal recharges from the Council’s Finance and Management Committee who are responsible for directly monitoring the income and expenditure of these services.

### **The Council’s Corporate Costs**

4.9 Effectively, CEC’S are the overheads on services. The Council can account for some of these costs centrally as “corporate management” if they fall within this definition for accounting purposes.

4.10 Although a service or function may be delivered corporately or for the benefit of the corporate body, it may not necessarily be accounted for in that way. Generally,

corporate costs (in the accounting definition) are those that perform a statutory reporting role to the general public.

- 4.11 This includes for example, annual accounts, budget setting and the Best Value Performance Plan. In addition, the posts of Chief Executive, the Monitoring Officer and public consultation are also legitimate costs for accounting purposes.
- 4.12 During the Use of Resources Assessment for 2005/06, the Audit Commission highlighted that the Council's corporate costs were high compared to other comparable authorities. Consequently, they asked that a review be undertaken of how corporate costs (approximately £1.1m) were made up.
- 4.13 The review was undertaken as part of this budget round. The main conclusion found that around £350,000 of costs in respect of I.T. senior management and central procurement should effectively be a charge across services, rather than being accounted for centrally.
- 4.14 This has been reflected in the probable out-turn for 2005/06 and base budget for 2007/08. Effectively, some of this would have increased the allocations to the departmental accounts for Planning, Waste Collection, etc. with a knock-on effect to the Committee's services.

### **Accounting For Pensions**

- 4.15 The Council's actual cash contributions to the Pension Fund are no longer charged to the Committee's services. The charge now made represents the amount that is required to make good the deficit on the Pension Fund in the longer-term.
- 4.16 In most cases, this is higher than current payments being made, as these still need to be increased in the future to "catch up" the existing shortfall. The difference is known as the **FRS 17 adjustment** and is determined by the Fund's actuary.
- 4.17 This adjustment is effectively showing the true cost of pensions over the longer-term. However, this is purely an accounting adjustment. Although this does become a cost in individual services, the difference is reversed out in the Council's consolidated accounts so that a neutral effect remains on the council tax.

### **Basis of 2007/08 Estimates**

- 4.18 The budget for 2007/08 has initially been compiled at November 2006 (today's) prices. An allowance for inflation has then been added where this is considered unavoidable, to cover for price increases to March 2008. This calculates the cash limit (original) estimate for 2007/08, in which budgets should be managed.
- 4.19 Inflation measures are based on data available from HM Treasury for various categories of income and expenditure. The assumptions built into estimates are as follows:
- Employee Costs – 3%
  - Responsive Repairs and Maintenance – 2.9%
  - Planned Maintenance – 3.25%
  - Utilities – various, as per re-tendered contracts
  - Business Rates – 3.2%
  - Fuel – (minus 3%)
  - Insurance Premiums – 2.9%

- Other Supplies and Services – 2.7%
- Office Expenses (equipment, stationery, etc.) – cash limited
- Income from Fees and Charges (excluding rents) - 2.5%

4.20 The estimates are also based on service levels in 2006/07 continuing, and include any full year effects of previous year's growth and capital expenditure. However, any non-recurring and one-off items have been removed.

### Capital Investment

4.21 The Committee currently has the following schemes in the Council's approved capital investment programme for 2006/07.

Scheme	Cost £'000	Note
Recycling – Extending the Green Box Scheme	52	This is being spent in 2006/07 and is funded specifically by Government Grant.
Hatton Flood Alleviation Works	10	The main scheme was completed in 2005/06. This sum represents some residual drainage work subsequently identified.
Provision of Information Kiosks (Tourism)	11	Part of the new Tourist Information Centre.

### Proposed Fees and Charges 2007/08

4.22 **Appendix 2** provides a schedule of the proposed level that will operate from 1st April 2007, together with a comparison to the existing charge. No major changes are proposed for 2007/08 and generally, it is proposed that fees and charges are increased by around 2.5%. This represents the Consumer Prices Index as at September 2006.

### Proposed Service Developments 2007/08

4.23 The full list of all developments evaluated by the Service and Financial Planning Working Group (SFPWG) is shown in **Appendix 3**. This is split between revenue and capital investment, the bids relevant to this Committee being shaded.

4.24 The SFPWG met on 12<sup>th</sup> December 2006 and discussed the bids in the light of the Council's overall financial position. The revenue bids total over £3m and proposed new capital investment is £1.9m.

4.25 Clearly, it would be impossible to afford all of these bids and the SFPWG agreed some initial proposals given the amount of additional revenue finance available over the next 3-years. At this stage, no additional finance is available for new capital investment.

4.26 The revenue proposals relevant to this Committee that have initially been put forward to be implemented are summarised below.

- A new post of Urban Designer
- An amount of £10,000 to set up an Environmental Invest to Save Fund
- An amount of £20,000 to help implement the Economic Regeneration Strategy

## **5.0 Financial Implications**

5.1 As detailed in the report

## **6.0 Corporate Implications**

6.1 None Directly

## **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