
REPORT TO:	ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	5th JANUARY 2010	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS’ CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/budget round 1011/policyreports/eds committee
SUBJECT:	SERVICE BASE BUDGETS 2010/2011	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: EDS

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2010/11 for the Committee’s Services are considered and referred to the Finance and Management Committee for approval.
- 1.2 That Finance and Management Committee consider retaining the accumulated balance of Housing and Planning Delivery Grant to mitigate the risks associated with the Planning Service.
- 1.3 That Finance and Management Committee review the assumptions regarding projected income levels for Land Charges used in the 5-year financial plan and reduce them down in line with current levels.
- 1.4 That the proposed fees and charges as detailed in **Appendix 3** for 2010/11 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 2010/11, with a comparison to the current year, 2009/10. This includes an overview of the Committee’s main spending areas and some of the main cost pressures facing its services.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2010/11 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, building regulations, land charges and in particular planning, with combined income from these areas of approximately £1.1m estimated in 2009/10.
- 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 18 months, 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. The budgets proposed in this report continue to show a downward trend, especially for building regulations and land charges.
- 3.6 The economic downturn is set to continue for the foreseeable future. Clearly, as a growth area, these income streams should increase in the future through increased planning applications and from a more buoyant housing market, although when is still very unclear.
- 3.7 There are some large developments in the District to be completed and other sites (subject to any inquiries) to be released in future years. However, it is likely that the Council's Local Development Framework will be subject to an inquiry, in which case additional costs will be incurred, therefore limiting increased income in the medium-term.
- 3.8 In addition, there is on-going uncertainty around what local authorities can charge for local land searches. A technical debate concerning the provision of environmental information is ongoing between the Government's Information Commissioner, the Local Government Association and land search companies. Potentially, the Council could lose a further £40,000 per year (based on current estimates) if the decision goes against local authorities.

Housing and Planning Delivery Grant (HPDG)

- 3.9 HPDG was introduced in 2007 by the Government and was an extension of the previous Planning Delivery Grant. The aim of HPDG is to reward local authorities for improved delivery of housing and other planning services as part of their strategic, place shaping role.
- 3.10 The overall grant consists of 2 elements. Firstly the housing element, which recognises the delivery of new build in each local authority area as part of the Government's national target to meet expected demand for new housing until 2031.
- 3.11 This part of the allocation is distributed to local planning authorities on the basis of average net additions (of new houses) above a threshold, the average being calculated over the previous 3 years 2005/06 to 2007/08.
- 3.12 The second element is attributable to planning. This rewards authorities who are able to demonstrate sufficient land is available for housing, have delivered core strategies and plans, undertaken market assessments and have entered into joint working arrangements across boundaries, within the criteria set by the Government.
- 3.13 The overall HPDG pot is split on a 55:45 basis between the Housing and Planning elements respectively. The Council's allocation was £315,000 in 2008/09 and £458,000 for 2009/10.
- 3.14 Except for £27,000, a substantial part of the 2009/10 allocation was for the Housing element. As a growth area, this recognised the delivery of new houses over the 3-years until 2007/08, i.e. the period immediately preceding the current economic downturn.

Use of HPDG at the Council

- 3.15 The grant is used in various ways - to provide specialist support, undertake studies, to provide investment/matched funding and to supplement core service provision due to pressure and demands in the planning service area. Any unused allocation in one year can be carried forward for use in future years.
- 3.16 It should be noted that the grant does not have to be used wholly for the benefit of the planning service. However, there is a strong expectation from central government that it is used to develop local planning and to deal with associated issues such as affordable housing and regeneration brought about through growth.
- 3.17 The Council's financial plan assumes an annual allocation of £200,000. This is considered to be a prudent estimate considering actual allocations.
- 3.18 The proposed expenditure for 2010/11 is £220,000, which would leave approximately £89,000 in the "planning reserve" by March 2011 (excluding the additional 2009/10 allocation). [Page 3 of 12](#)

3.19 Of the £220,000, approximately $\frac{3}{4}$ (£160,000) is used to fund on-going expenditure. Of this, £140,000 is in relation to staffing costs, the associated posts (4 in total) are mainstreamed posts on the Council's establishment.

Future allocations

3.20 Previously, concern had been raised over the allocation for 2009/10. Although the national allocation was confirmed back in July 2009, the Government reviewed its distribution in the light of the economic downturn and its effect on the housing market.

3.21 The national pot was reduced slightly and the allocation mechanism tweaked to reflect the slowdown in development. Consequently, allocations to individual authorities were not confirmed until very recently (in December 2009).

3.22 The national allocation for 2010/11 has provisionally been increased for the housing element and this in principle should benefit the Council.

3.23 Looking to future years, as with all government funding, the allocation of HPDG from 2011/12 is very unclear. At this stage, it is likely to be reviewed as part of the Government's wider Comprehensive Spending Review in 2010.

3.24 The Council's allocation for 2009/10 was £458,000. Clearly this is above the estimate of £200,000 allowed in the financial plan. Therefore, this provides some additional resources against the uncertainty and risks concerning Inquiry costs, reduced income, and a possible reduction in HPDG from 2011/12.

3.25 Although the proposal is to hold this in the "planning reserve," to mitigate financial risks in this area, it will ultimately depend on the Council's overall financial position and any decisions taken on this by the Finance and Management Committee.

The Council's Overall Financial Position

3.26 It is expected that the Council's overall situation will tighten further in 2010/11 with knock-on effects over the life of the Medium-Term Financial Plan (MTFP) to 2015.

3.27 In addition, 2011/12 has already been identified as a critical year financially for the Council, as the current budget deficit will push the level of general reserves below the safe minimum level if not addressed during 2010/11.

3.28 The Finance and Management Committee will consider the detail of the overall financial position on 14th January 2010, including proposals from this Committee. Therefore, it is important that this Committee scrutinises its spending base closely.

Efficiency Savings Identified

3.29 During 2009, the Committee agreed proposals to transfer the Footpaths Agency to the County Council and to restructure posts in Environmental

Services. In total, this produced savings of approximately £40,000 per year for this Committee which has been included in the base budget for 2010/11.

3.30 In addition, the Committee considered proposals at its meeting on 19th November 2009, which identified savings across planning and environmental health services in particular. This included proposals to address some of the issues such as reducing income, identified in this report.

3.31 The financial implications were ratified by the Finance and Management Committee on 3rd December 2009.

3.32 The full proposals are currently subject to consultation under the Council's Change Management Procedure. If approved, it is likely that savings will start to accrue from 2010/11. However, at this stage, they have not been included in the Committee's base budget proposals within this report.

Summary of Expenditure

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

Analysis of Net Revenue Expenditure – Base Budgets 2009/10 to 2010/11	Approved Budget 2009/10 £	Proposed Budget 2010/11 £	Change £
Economic Regeneration	95,325	89,823	(5,502)
Environmental Services	641,456	622,373	(19,083)
Highways	136,144	118,562	(17,582)
Licensing and Land Charges	(4,332)	(5,784)	(1,452)
Planning	630,247	696,402	66,155
Town Centre	70,414	72,470	2,057
Waste Collection & Street Cleansing	1,601,182	1,603,907	2,725
Committee Total	3,170,435	3,197,754	27,318

Note – Figures in brackets denote net income and a reduction in net expenditure in the change column.

3.34 The above table shows that the Committee's net expenditure is estimated to increase overall between 2009/10 and 2010/11 by £27,318. In summary, the main reasons for this are as follows:

	£'000
Reduction in income	86
Pay inflation and incremental increases (as budgeted)	43
Efficiency Savings (as identified above)	(39)
Transfers from other Committees	(25)
Internal Recharges	(25)
One-off expenditure in 2009/10	(15)
Other minor variances	2
Total Overall Increase	27

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Note – Figures in brackets denote less expenditure or greater income

3.35 After allowing for the reduction in internal recharges and transfers from other committees (of approximately £50,000), the increase for the Committee is approximately £77,000. An analysis of these variances is detailed across services in **Appendix 1**.

Reduction in Income

3.36 The largest variance is in fact an anticipated reduction in income of around £86,500, summarised as follows:

- Building Regulations - £46,500
- Refuse collection - £26,000 (mainly reduced demand for “bulky” collections)
- Pest Control - £7,500
- Land Charges - £5,000
- Other - £1,500

3.37 As previously highlighted, the downturn in the economy continues to affect income from building regulations and land charges. Income from pest control is covered later in the report.

Pay Inflation

3.38 This includes the effect of the national pay settlement for 2009 (of 1%) on pay and allowances, as budgeted in the Council’s inflation provision.

One-off Expenditure (£15,000)

3.39 As approved, this amount has been removed from the base budget in 2010/11. It relates to a sum of £5,000 for additional economic development promotions, together with the provision of additional litter bins (£10,000) in 2009/10.

Income from Land Charges, Building Regulations and Planning Fees

3.40 As previously highlighted, income compared to budget, continues to reduce. The Council’s longer-term financial plan shows the following projections regarding future income.

	Planning Fees £	Building Regs. £	Land Charges £	Total £
Actual 2004/05	501,700	348,130	238,665	1,088,495
Actual 2005/06	612,198	370,232	229,826	1,212,256
Actual 2006/07	677,366	338,055	227,812	1,243,233
Actual 2007/08	573,747	297,089	192,798	1,063,634
Actual 2008/09	517,485	236,242	106,375	860,102
Budget 2009/10	531,000	255,000	130,000	916,000
Projected Out-turn 2009/10	531,000	210,000	135,000	876,000
Budget 2010/11	531,000	210,000	125,000	866,000
Forecast 2011/12	590,000	340,000	220,000	1,150,000
Forecast 2012/13	590,000	340,000	220,000	1,150,000
Forecast 2013/14	590,000	340,000	220,000	1,150,000
Forecast 2014/15	590,000	340,000	220,000	1,150,000

3.41 The table shows that although under that budgeted, the projected out-turn for 2009/10 is estimated to be slightly higher than in 2008/09, with the main reduction being income from building regulations.

3.42 The proposed budget for 2010/11 of £866,000 is about on par with the projected out-turn for 2009/10, although it is below the forecast included in the longer-term financial plan of £1m. The forecast figures in subsequent years are unchanged from those reported earlier in the year and balance off at £1.15m per year.

3.43 This is based upon the assumption that the economy will have started an upward trend during 2010/11 with increased activity coming through by 2011/12.

Land Charges

3.44 The future projections for land charges assume that income levels will eventually recover to those preceding the current economic downturn.

3.45 However, due to recent changes to the conveyance process including the introduction of the Hips package, the number of full searches conducted has fallen away and the Council has lost market share to the Personal Search Companies. This trend is continuing.

3.46 In addition, potential changes to the fees and charges regime (which is detailed in Section 4) could reduce the Council's income further. Therefore, it is recommended that the Finance and Management Committee consider revising future projections down towards current levels when considering the MTFP.

Waste Collection

- 3.47 The base budget does not allow for any additional costs associated with a rise in property numbers. However, the MTFP continues to provide for this separately in its inflation and growth pot.

Fuel and Vehicle Maintenance Costs

- 3.48 The cost of fuel continues to fluctuate although the Council does purchase its main supply via consortium arrangements where the price is more certain and consistent. It is not anticipated that the overall budget of £1/4m will be exceeded in either 2009/10 or 2010/11, with a saving of approximately £20,000 now anticipated in 2009/10.
- 3.49 As highlighted in previous monitoring reports, repair and maintenance costs of vehicles and plant, are expected to be lower (£27,000) in 2009/10, due to the replacement of 3 new refuse freighters (as planned) in May 2009.
- 3.50 Following a recommendation by the Finance and Management Committee in December 2009, future maintenance costs are due to be reviewed and aligned to the vehicle replacement schedule. This may lead to further savings in future years, over and above that included in the proposed base budget for 2010/11.

Parish Councils Lengthsman Scheme

- 3.51 Following a decision by the Finance and Management Committee in December 2009, this budget may be rolled up with that for Concurrent Functions and allocated on a revised, but updated basis. This is currently subject to consultation with the Parish Councils. The overall budget of approximately £43,000 will remain unchanged.

4.0 Detail

- 4.1 All of the Committee's cost centres are detailed in **Appendix 2**. This shows a "line by line" breakdown of the Committee's Services for 2008/09 (actual) to 2010/11 (proposed budget) as contained in the Council's main accounting system. A summary is provided in **Appendix 1**.
- 4.2 The base budgets exclude the costs of internal support service charges, together with any capital accounting and statutory pension adjustments.
- 4.3 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

- 4.4 The proposed base budget for 2010/11 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, when national pay increases are settled

- 4.5 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.
- 4.6 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.

Formulating the 2010/11 Base Budget

- 4.7 The estimates are also based generally on service levels in 2009/10 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

- 4.8 The Committee currently has the following schemes in the Council's approved capital investment programme.

Scheme	Cost £'000	Note
Environmental Management Initiatives (EMAS)	6	This the residual of a small fund set up in 2007/08 in order to implement some energy saving initiatives, mainly in public buildings and to help towards the Council achieving EMAS accreditation.
Town Centre Improvements	1,258	Substantial funding now secured to deliver the next stage of the Swadlincote Master plan. This includes a series of public realm improvements, the Cultural Quarter and environmental works. This cost will be spread over 2009/10 and 2010/11.
Partnership Schemes in Conservation Areas	104	This is the final year (2009/10) of a 3-year programme, the Council's contribution being £44,000

Proposed Fees and Charges 2010/11

- 4.9 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2010, together with a comparison to the existing charge. Where applicable, VAT is also added at the standard rate.
- 4.10 A detailed review of all fees and charges has been undertaken as part of this budget round. Some of the key points are explained below:

Pest Control

- 4.11 Charges for pest control have been reviewed and changed to bring them into line with market rates and neighbouring authorities. This is part of the county-wide efficiency programme which has allocated funding to look into the feasibility of a joint pest control service in the area.
- 4.12 Overall, this will increase charges and introduce charges for some services that are currently provided free.
- 4.13 Actual income has reduced markedly over the last 2-years from £19,000 in 2007/08 to £9,200 in 2008/09. A budget of £10,000 has been estimated for 2010/11, although the proposed charges could increase this if implemented.

Licensing

- 4.14 A substantial amount of the actual fee rates are set statutorily under the Gambling Act 2005. However, the Council does have some discretion over charging up to a maximum in each category.
- 4.15 Income from liquor licensing is expected to fall from £70,000 in 2009/10 to £60,000 in 2010/11. This is based on the level of renewals due but also reflects the downturn in the economy with fewer businesses able to apply/renew.
- 4.16 In addition, there is also a reduction, albeit smaller, for income from Pollution Inspections. This is due to the relocation of one large business, together with other businesses being awarded a lower risk rating.
- 4.17 However, overall income from licensing is expected to remain the same as income from private hire vehicles continues to increase. This offsets the above losses.

Other Environmental Health Recharges

- 4.18 A new charge is being proposed for dealing with High Hedge disputes in recognition of the time taken to deal with subsequent issues.

Fees for Land Charges

- 4.19 As highlighted earlier in the report, the downturn in the economy has significantly reduced income from land charges over the last 18 months.
- 4.20 However, a smaller decrease is estimated in 2010/11 compared to the revised budget for 2009/10, i.e. £10,000, giving estimated income of £125,000 for 2010/11.
- 4.21 Fees for the Council's search are set on cost recovery basis, as per the Department of Communities and Local Government guidance.

- 4.22 For residential purposes, the fee is £104 for 2009/10, reducing to £99 for 2010/11. For commercial purposes, it is proposed to maintain the current fee for 2009/10 of £135 for 2010/11.
- 4.23 However, the whole issue of fee levels and future income to a certain extent is still unclear. This largely stems from a decision taken by the Government's Information Commissioner Office.
- 4.24 The issue is around whether authorities are able to charge for providing data on environmental information as part of a land/property search. The Commissioner has ruled that they should not although this is being challenged by the Local Government Association.
- 4.25 If ultimately the ruling is implemented, then this would cost the Council approximately **£40,000 per year** in loss of income.
- 4.26 Against this, under the Land Charges Act of 1975, the Ministry of Justice has revised the statutory charge for a personal search of the local land charges register. This will increase from the current rate of £11 to £22 on 1st January 2010.
- 4.27 Although on its own, this factor would help to increase income this will depend on the economic situation and the resolution of the issue involving the provision of environmental information.

Planning and Building Regulation Fees

- 4.28 Planning fees are set through statute and the Council has no discretion over charges. Fees for building regulations are subject to separate review with a comprehensive fee structure taking into account national guidelines and local circumstances.
- 4.29 Officers have some discretion over varying charges in consultation with the Chairman of the Committee. This is to ensure that work can be won in commercial situations. Fee levels were reviewed and approved earlier in 2009.
- 4.30 Charges for planning and building control shown in Appendix 3, are those where the Council has discretion and mainly relate to publications and the provision of information, etc.

Trade Waste Charges

- 4.31 These have been increased to reflect the increased costs of Landfill Tax passed to the Council by the Waste Management Authority.

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 property implications apart from that 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