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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 2014</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 round1415/policy reports/EDS budget committee 1415
<b>SUBJECT:</b>	<b>SERVICE BASE BUDGETS 2014 / 2015</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 2014/15 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 2014/15 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 2014/15, with a comparison to the current year, 2013/14. 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 2014/15 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 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 £1.3m 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 fairly high 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 Since 2009/10, the on-going economic situation has had a negative impact on these major income streams, which has subsequently affected the Council's overall financial position.
- 3.5 Over the last couple of years, there has been some leveling off and income has stabilised at estimated levels, although budgeted levels are still much reduced compared to previous years. However, 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**

- 3.6 The Council's Medium Term Financial Plan (MTFP) was reviewed and updated in October 2013 following the public sector spending review (CSR 13) which reported in the summer. After considering the updated financial position and the projected outcomes from CSR 13 on the Council, Finance and Management Committee approved a further round of budget savings.
- 3.7 Consequently, an amount of £500,000 needs to be found from within the current base budget of the Council before next year's Budget Round (2015/16) in order to sustain the overall financial position into the future. As part of the Strategy, the Finance Committee also approved that all service budgets are scrutinised closely to identify potential savings.
- 3.8 The Finance and Management Committee will consider the detail of the overall financial position on 16<sup>th</sup> January 2014, 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**

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

Summary of Net Revenue Expenditure	Approved Budget 2013/14 £	Proposed Budget 2014/15 £	Change £
Transport and Plant	827,649	700,177	-127,473
Economic Development	270,951	234,475	-36,476
Environmental Education	71,013	69,687	-1,326
Environmental Services	543,756	535,957	-7,799
Highways	22,152	18,652	-3,501
Licencing and Land Charges	-35,755	-45,468	-9,713
Planning	560,804	540,526	-20,278
Off Street Parking	71,466	69,463	-2,003
Waste Collection & Street Cleansing	1,503,856	1,473,775	-30,082
<b>Total - Net Expenditure</b>	<b>3,835,892</b>	<b>3,597,243</b>	<b>-238,649</b>

3.10 The above table shows that the Committee's net expenditure is estimated to decrease overall between 2013/14 and 2014/15 by £238,649. 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.

	£'000
Depreciation	-119
Depot Costs	-110
Pay	-3
Cost Increases (net)	22
Income	-27
Budget Savings	-3
Other minor Variations	2
<b>Total Change</b>	<b>-238</b>

### **Depreciation (Reduction of £119,000)**

3.11 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.

3.12 The reduction relates to vehicles and plant as assets are written down and out of the Council's accounts.

### **Depot Costs (Reduction of £110,000)**

3.13 This relates to the approved budget savings required to finance the implementation of the extended kerbside recycling scheme. In particular, this is the amount needed to finance the capital purchase of the new Green Bins approved by the Committee in May 2013.

- 3.14 The savings identified will effectively be transferred to the Finance and Management Committee and set-aside to repay the internal borrowing used to finance the capital expenditure.
- 3.15 Following a service review, one of the main savings has been achieved by transferring back in-house, channel sweeping; this function had previously been undertaken by an external contractor. The other main saving is the reduction in current “bring sites,” details of which will be subject to a separate report to the Committee.

**Pay (reduction of £3,000)**

- 3.16 There have been some internal reallocation of pay costs following the senior management restructure which is reflected in individual cost centres. This has also meant some transfers between policy committees as senior management costs have been aggregated. The overall reduction is due to a combination of several factors as detailed in the following table.

Senior Management Restructure	-34,379
Pay Award 2013	27,750
Transfers	-11,780
Incremental Increases	9,149
Other Increases	6,701
	<u>-2,559</u>

- 3.17 Following the Senior Management Restructure approved in March 2013, these are the savings attributable to this Committee; they have been taken out of the Base Budget as set out in the MTFP.
- 3.18 The pay award relates to the national agreement of 1% in 2013 and is financed from the inflation contingency in the MTFP; the base budget has been updated accordingly.
- 3.19 Incremental increases relate to employees on career graded posts and those subject to incremental steps within a specific grade which recognises experience and development. A provision is included for this in the MTFP.
- 3.20 Other increases relate mainly to additional national insurance contributions following an increase in rates.

**Cost Increases (Net £22,000)**

- 3.21 The main increase across the Committee’s services continues to be the cost of agency workers in Waste and Cleansing. This is to provide cover for both planned (annual leave) and unplanned (sickness) absences. An analysis of costs in the last 3 years is shown in the following table.

	<b>Actual</b>	<b>Budget</b>
2011/12	£85,000	£34,000
2012/13	£106,000	£38,000
2013/14	£97,000	£50,000

*Note: 2013/14 Actual is year to-date*

- 3.22 The table shows that in recent years, actual costs have been well in excess of that budgeted and this trend is continuing in 2013/14. Therefore, it is proposed to increase the budget from £50,000 to £89,000 in 2014/15, an increase of £39,000.
- 3.23 It is considered that with recent measures introduced to reduce costs, a base budget of £89,000 will be sufficient, but will continued to be monitored.
- 3.24 Overall, there are several minor reductions in costs in other service areas totaling £17,000. The largest of £8,000 being due to a reduction in business rates payable on Council owned car parks.

### **Income**

- 3.25 Overall, income forecasts for 2014/15 have been maintained at current levels for the main areas covering licensing and planning, in accordance with the MTFP. These forecasts will be kept under review pending any increase in activity which is considered likely at some point in the future.
- 3.26 The income generated from Food Safety through export certificates, continues to grow. Therefore, the base budget for 2014/15 has been increased by £30,000 to reflect current activity which is now considered to be sustainable.

### **Restructures**

- 3.27 A restructure of the Community and Planning Directorate was approved in December 2013. The financial implications have previously been considered by the Committee.
- 3.28 The effects on the Committee's services *have not*, at this stage, been included in the base budget. The restructure is currently being implemented and updated figures will be reflected in the final budget proposals at the Finance and Management Committee on 20<sup>th</sup> February.
- 3.29 Proposals to streamline the Land Charges function were considered by the Committee in November 2013. The proposals are currently subject to consultation. If approved, the financial implications will also be reflected in the final budget.

### **Development of the Local Plan**

- 3.30 Current estimates indicate that this could cost up to £165,000, including the cost of preparation (£45,000) and public examination of the Core Strategy itself (£120,000). There are also likely to be additional costs associated with

the formulation of a charging scheme for the Community Infrastructure Levy (CIL).

- 3.31 An amount of £135,000 has previously been set-aside in an earmarked reserve towards meeting these costs. This will be monitored during 2014/15, but a further contribution from general reserves may be required to make up any shortfall. This will be reviewed at the budget out-turn for 2013/14 with a proposal to set-aside any underspendings or additional income generated in the year.

#### **4.0 Detail**

- 4.1 **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** analysing changes between 2013/14 and 2014/15 for each cost centre.

#### **Zero Based Budgeting**

- 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.
- 4.5 As usual, the base budgets exclude the costs of internal central 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 base budget for 2014/15 has been uplifted by inflation in 2013/14 where this applies, for example, the 2013 national pay award. However, proposed budgets for 2014/15 do not at this stage allow for future inflation.
- 4.8 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.

- 4.9 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.
- 4.10 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**

- 4.11 The MTFP continues to make a provision of £100,000 per year for increased costs of waste collection due to the growth of the district. 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.
- 4.12 It is not expected that this will be the case now for the next 2 to 3 years, but will be kept under review.

### **General Basis of the 2014/15 Base Budget**

- 4.13 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 of service, etc.).
- 4.14 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**

- 4.15 The Committee has 2 approved schemes in the current capital programme. 2012/13. Firstly, £30,000 is included for restoration/heritage works in conservation areas, which is being externally funded. The scheme is currently in progress and is likely to be fully allocated during 2014/15.
- 4.16 There is also an amount of £16,000 which was allocated in previous years to purchase new software for recording and monitoring land contamination. No definitive spending proposals are currently in place against this budget.

### **Proposed Fees and Charges 2014/15**

- 4.17 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2014, 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 the sale of trade refuse sacks quite substantially. Prices have not been reviewed for several years and the proposed charges reflect up to date costs.
- 4.20 There are no proposals to change the maximum price for collecting commercial waste. The budget proposals show no change to current income levels overall with total income being approximately £230,000 per year.

## Land and Property Searches

- 4.21 No changes are proposed for 2014/15. Overall income has been increasing over the last year due to a greater number of enquiries and requests. Total income is estimated at approximately £100,000 for 2014/15.

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

- 4.22 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 many of these licenses, for example that apply to casinos, will be applicable.
- 4.23 The fees are designed to cover actual costs. Following a review during 2013, the charges that apply to the Council, it is considered that they cover costs and no adjustment is required.

## Animal Licensing

- 4.24 Following a review of charges, all animal licensing fees (with the exception of Zoos) will require increases in their fees in order to cover the costs of their respective regime. However, the breakeven fees concluded in the review, could represent a substantial increase over some of the current fees as shown in the following table.

<b>Animal Licences</b>	<b>Existing Charge £</b>	<b>Break even Charge £</b>	<b>Difference £</b>	<b>Proposed 14/15 £</b>
Pet shops	65	143	+ 78	91
Riding establishments	119	186	+ 67	141 (+ Vet Fees)
Animal Boarding Premises	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



4.25 Where the difference is greater than 20% or £30, it is recommended that the increase be divided over a period of 3 years to avoid potential hardship or challenge from the trade. This will also allow the results of a further review, to be conducted in 2014, to be taken into account.

4.26 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 is proposed to separate the one current fee into two, to reflect the separate boarding types.

4.27 No advertising or consultation is legally required for these types of licenses.

### **Private Hire Licences**

4.28 A review of these fees was also undertaken in 2013. This concluded that current fees should be amended to reflect the actual costs of each type of licence issued.

4.29 However, the Private Hire licensing policy will be subject to a full public consultation over the coming months; it is considered that the results of this consultation may impact on the future fee structure.

4.30 Due to this, it is recommended that the current licence fees remain in place at this point in time, with only ancillary fees (such as replacement badges) being increased to cover the costs of these perishable items.

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

### **Other Licences**

4.32 Following a review of other licences, it is proposed to increase the fees for one-off skin piercing registrations to cover actual costs.

4.33 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 full review during 2014.

### **Pest Control Charges**

4.34 Proposed fees for 2014/15 have been changed to round up final prices including VAT, for ease of administration. Generally, increases are around 1% to 2%.

### **Planning Services**

4.35 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. Some new charges are proposed under legislation whilst some current charges are no longer applicable.

## **Fees for Building Regulations**

4.36 These are reviewed and approved separately on a periodic basis in accordance with market and general pricing conditions (including legislative requirements) in the sector.

4.37 The fee structure is designed to recover building regulations costs and associated matters. The current scale of fees 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