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| REPORT TO: | ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE (SPECIAL – BUDGET) | AGENDA ITEM: |
| DATE OF MEETING: | 8th JANUARY 2008 | CATEGORY: RECOMMENDED |
| REPORT FROM: | DIRECTOR OF CORPORATE SERVICES | OPEN |
| MEMBERS' CONTACT POINT: | KEVIN STACKHOUSE (595811) | DOC: u/ks/budget round 0809/eds budget committee |
| SUBJECT: | SERVICE BASE BUDGETS 2008/2009 | REF: |
| WARD(S) AFFECTED: | ALL | TERMS OF REFERENCE: EDS |

1.0 Recommendations

- 1.1 That the budgeted revenue income and expenditure for 2008/09 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 for 2008/09 are considered and approved.
- 1.3 That the Committee's service development proposals are considered and referred to the Finance and Management Committee for consideration.

2.0 Purpose of Report

- 2.1 To detail the Committee's proposed base budget for 2008/09. 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 2008/09 subject to the Council's overall medium-term financial position.
- 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.
- 2.4 In addition, an analysis of the Committee's proposed service development bids is also included for consideration. These bids, based on the Council's business

case framework, have been evaluated in accordance with the accompanying scoring system.

3.0 Executive Summary

- 3.1 The Committee's net revenue expenditure is summarised in **Appendix 2**. This sets out the budgets for each main cost centre and aggregates several of the main service areas.
- 3.2 In addition, **Appendix 3** details a "line by line" breakdown of every cost centre. 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.
- 3.3 There is pressure on many of these budgets, in particular on Waste Collection as greater demands are placed on recycling and composting. These budgets include the on-going effects of previous investment in this area.

Income

- 3.4 In addition, the Committee is responsible for services where substantial amounts of income are generated for the Council. These include licensing, land charges and in particular planning, where gross income is almost £1m per year.
- 3.5 Clearly, these areas can have a big impact on the Council's overall financial position. These income streams are difficult to predict and are subject to external factors such as the type and volume of planning applications. Consequently, they are a fairly high risk in the Council's medium-term financial plan.
- 3.6 The following table provides an overall summary of the Committee's net revenue expenditure.

| Analysis of Net Revenue Expenditure 2006/07 to 2008/09 | Actual Out-turn 2006/07 £ | Approved Budget 2007/08 £ | Proposed Budget 2008/09 £ |
|---|--|--|--|
| Economic Regeneration | 199,882 | 253,590 | 241,637 |
| Environmental Services | 610,979 | 613,340 | 675,380 |
| Highways | 354,389 | 336,200 | 343,432 |
| Licensing and Land Charges | (21,488) | 26,360 | 20,913 |
| Planning | 572,334 | 1,072,840 | 786,258 |
| Town Centre | 141,075 | 133,910 | 142,509 |
| Waste Collection & Street Cleansing | 2,371,451 | 2,546,370 | 2,693,073 |
| Committee Total | 4,228,620 | 4,982,610 | 4,903,202 |

- 3.7 The above table (and **Appendix 2**) show that the Committee's net expenditure is estimated to reduce overall between 2007/08 and 2008/09 by £79,408. In summary, this can be accounted for as follows:

| | |
|---|----------------|
| Inflation | + £139,400 |
| Internal Recharges | + £121,391 |
| One-off expenditure falling out (Mainly the Major Appeals Inquiry) | - £437,500 |
| Leasing Costs | - £13,445 |
| Other Changes in the Base Budget | + £110,746 |
| Total Overall Decrease | £79,408 |

- 3.8 Clearly, the above table shows some large variances. Generally, these are known and have previously been reported and included in the Council's medium term financial plan. In addition, several of the variances are due to internal recharges.
- 3.9 However, there are also other variances arising within the base budget for 2008/09, that total £110,746 overall. The reasons for these variances by cost centre are shown in **Appendix 1** and the main ones are explained in further detail below.

Waste Collection and Street Cleansing

- 3.10 In total, the estimated costs for 2008/09 are £115,000 higher than currently being incurred. This is an increase of about 5% on the net budget of £2.5m per year.
- 3.11 Approximately £75,000 is due to a reduction in the Waste Performance and Efficiency grant received from the Government in 2007/08. This was a "one-off" sum received towards the cost of recycling. Although a further sum may be received in 2008/09, this is subject to a bidding round and the allocation of any resources is currently unknown.
- 3.12 Consequently, at this stage, no income has been included in the base budget. It should be noted however, that this reduction had been included in the Council's medium term financial plans, last year.
- 3.13 The remaining £40,000 represents additional costs of implementing "in-vessel" composting (as approved back in 2005/06), together with increased expenditure on maintaining recycling sites due to demand and usage.
- 3.14 It should be noted, that some of the additional costs of "in-vessel" can be offset against savings made on waste collection last year. Additional costs are also being incurred this year as highlighted in budget monitoring reports to the Finance Committee during 2007/08. These costs will continue to be monitored closely.

Income from Land Charges, Building Regulations and Planning Fees

- 3.15 The other major variance is a reduction in income from land searches. Again, this has been highlighted in budget monitoring reports to the Finance Committee during this year, the base budget for 2008/09 being revised down to reflect the current trend for enquiries and work in this area.
- 3.16 The estimated income for 2008/09 is £220,000. This compares to the current budget of £240,000 and an actual of £227,000 in 2006/07.
- 3.17 The base budget for planning fees (arising from Development Control and Building Regulations) for 2008/09 has been set at the same level as in 2007/08. However, it should be noted that income in 2007/08 is currently projected to be lower than budget, as reported to the Finance Committee in November 2007.
- 3.18 The base budget for income from Development Control for 2007/08 is £590,000. Based on income to-date and what is known and can be estimated, current projections show a shortfall of **£130,000** against this budget.
- 3.19 As previously stated, forecasting this income stream is difficult. Recent years have seen the level of income far exceeding estimates, and subsequent base budgets have been revised upwards to reflect this.
- 3.20 The current budget for 2007/08 was still considered to be prudent, given that income in 2005/06 was £612,000 and £677,000 in 2006/07. It is anticipated that income should again increase in the future from planning applications that should arise from current inquiries.
- 3.21 Therefore, the strategy proposed is that although income levels are currently below budget, over the life of the 5-year medium term financial plan, income will even itself out. Clearly, given the risk involved, this will be reviewed closely as part of the budget monitoring process.

4.0 Detail

- 4.1 All of the Committee's cost centres are detailed in **Appendix 3**. This shows a "line by line" breakdown of the Committee's Services for 2006/07 (actual) to 2008/09 (proposed) 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 in providing services. These come in the form of internal recharges from the Council's Finance and Management Committee. They consist of 2 elements depending on the type of asset/expenditure incurred, as follows:

- **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. towards heritage conservation) or contributions. These charges, representing the amount of capital investment, are written off to the service in the year they are incurred. However, they cannot be set beyond 2007/08 until next year's capital programme is known and approved.

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).

Central Establishment Recharges (CEC)

- 4.4 These represent the departmental and central support functions. The main recharges into this Committee relate to the cost of the Environmental Health, Waste, Cleansing and Planning Departments.
- 4.5 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.
- 4.6 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.
- 4.7 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.

Accounting For Pensions

- 4.8 The Council's actual cash contributions to the Pension Fund are not directly 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.
- 4.9 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.
- 4.10 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 2008/09 Base Budget

4.11 The budget for 2008/09 has initially been compiled at November 2007 (today's) prices. An allowance for inflation has then been added where this is considered unavoidable, to cover for price increases to March 2009. This calculates the cash limit (original) estimate for 2008/09, in which budgets should be managed.

4.12 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 – 4.3%
- Planned Maintenance – 2.75%
- Utilities – various, as per contracts
(These range from a reduction in gas prices to 7% increase for water)
- Business Rates – 3.9%
- Fuel – 3.3%
- Insurance Premiums – 3.6%
- General Materials, Supplies & Services (including grants) – 2.75%
- Office Expenses (equipment, stationery, etc.) – cash limited
- Income from Fees and Charges (excluding rents) - 2.75%

4.13 The estimates are also based on service levels in 2007/08 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

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

| Scheme | Cost £'000 | Note |
|--|-----------------------|---|
| Recycling – Extending the Green Box Scheme | 21 | This is being spent in 2007/08 as the scheme is extended. It is funded specifically by Government Grant. |
| Town Centre Improvements (Phase1) | 196 | This is the “gateway” scheme and is being funded by external funding and section 106 (developer) contributions. |

| | | |
|---|-----|---|
| Partnership Schemes in Conservation Areas | 300 | This is a 3-year programme that commenced in 07/08. The Council's contribution is £40,000 per year. |
|---|-----|---|

Proposed Fees and Charges 2008/09

- 4.15 **Appendix 4** provides a schedule of the proposed level that will operate from 1st April 2008, together with a comparison to the existing charge. No major changes are proposed for 2008/09 and generally, it is proposed that fees and charges are increased on average by around 2.75%.

Proposed Service Developments 2008/09

- 4.16 The full list of all proposed developments (where there are financial implications for the Council) is shown in **Appendix 5**. This is split between revenue and capital investment, the bids relevant to this Committee being shaded.
- 4.17 These bids, based on the Council's business case framework, have been evaluated in accordance with the accompanying scoring system. This ranks each of the bids, mainly on how far they will help meet the Council's priorities as set out in its Corporate Plan, together with wider regional and national issues.
- 4.18 The system also takes account of risk, opportunities for improvement and additional spending that may be unavoidable due to legislative and safety requirements.
- 4.19 The revenue bids total £433,500 and proposed new capital investment is £1.3m.
- 4.20 Clearly, it is difficult to afford all of these bids and which ones are eventually approved will depend on the Council's overall financial position. The Finance and Management Committee will consider this during the budget round.
- 4.21 There are 2 revenue proposals for consideration by this Committee, as follows.

South East Derbyshire Local Accessibility Partnership (SEDLAP)

- 4.22 This bid proposes continued membership of and support for the SEDLAP steering group. The purpose of this group is to draw together key public, private and voluntary sector stakeholders to assist in improving access to employment, shopping and leisure, healthcare and other facilities throughout the district, especially for people at risk of social exclusion.
- 4.23 The group will be strongly influential in establishing priorities and allocating resources for transport improvements in the South East of Derbyshire, including public transport in rural areas.

Economic Development

- 4.24 This proposal is to provide support to implement the new economic development strategy. Research and consultation undertaken in drawing up the strategy highlighted that employment growth has not kept pace with population growth. This has led to a dependence on out-commuting.
- 4.25 Resources will be directed at generating external funding, supporting business networks, promoting business events and generally stimulating economic activity.

Capital Investment Proposals

- 4.26 Again, two bids, both to address flooding problems in certain parts of the district. Both bids propose initial feasibility studies to determine the scope and scale of any further remedial works.

Other Potential Cost Pressures

- 4.27 There is one further issue that may have financial implications in the future, but for which no provision is currently being made. This relates to the transfer of parking enforcement from the police to Derbyshire County Council as reported to Committee in July 2007.
- 4.28 The service will operate where each district council will be able to determine the number of hours and where street wardens will patrol. The Council will pay for contracted hours but will receive receipts from fixed penalty notices. No direct income or expenditure will be borne by the Council, this will be co-ordinated and managed by the County.
- 4.29 Although the Council is expected to contribute £6,000 for initial set-up costs, it is considered that overall, the scheme will be cost neutral. If any deficit is projected at any stage, then the Council has the option of reviewing and scaling back the number of patrol hours.
- 4.30 The cost model used by the County based on various assumptions, shows yearly costs for the Council of £20,000, but this should be covered by income. Consequently, it is considered a fairly low financial risk to the Council, although clearly it will be kept under close review.

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