
REPORT TO:	ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE (SPECIAL – BUDGET)	AGENDA ITEM: 6
DATE OF MEETING:	10th JANUARY 2013	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE	OPEN
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SUBJECT:	SERVICE BASE BUDGETS 2013 / 2014	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: EDS

1.0 Recommendations

- 1.1 That the proposed revenue income and expenditure for 2013/14 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 2013/14 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 2013/14, with a comparison to the current year, 2012/13. 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 2013/14 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.

Direct Services

3.2 These services are based at the Council's main Depot and include waste collection, recycling, fleet maintenance and grounds maintenance services. Over the last two years, these services have undergone several efficiency reviews which have generated savings for the Council.

Income

3.3 The Committee is also responsible for services where substantial amounts of income are generated for the Council which helps to pay for services. These include licensing, trade waste collections, together with building regulation applications, land charges and local planning applications. In total, these amount to approximately £1.3m per year.

3.4 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.

3.5 As previous budget and monitoring reports have highlighted in recent years, the on-going economic position has had a negative impact on these major income streams, which has impacted on the Council's overall financial position.

3.6 Over the last year, there has been some leveling off and income has stabilised at estimated levels following several financial periods of a reducing base. However, the budgets proposed are still lower than currently assumed in the MTFP.

3.7 The current economic situation is set to continue for the foreseeable future. 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

3.8 The Council's MTFP was reviewed and updated in October 2012 ahead of the Government's detailed financial settlement for local authorities.

Pressure remains on the medium term position with continuing reductions in government grant as set out in the 2010 Spending Review.

- 3.9 During this budget round, all services were asked to look closely at current spending and adopt a “zero based” approach to budgeting where possible.
- 3.10 The Finance and Management Committee will consider the detail of the overall financial position on 17th January 2013, including proposals from this Committee. Therefore, it is important that this Committee scrutinises its spending base closely and in particular examines areas where there are proposals to increase spending.

Summary of Expenditure

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

Analysis of Net Revenue Expenditure Budgets 2012/13 and 2013/14	Approved Budget 2012/13	Proposed Budget 2013/14	Change
Economic Regeneration	£271,154	£278,742	£7,588
Environmental Services	£639,170	£634,622	-£4,548
Highways	-£3,310	£22,152	£25,462
Licensing and Land Charges	-£54,214	-£35,755	£18,459
Planning and Building Control	£484,105	£599,770	£115,665
Off Street Parking	£59,470	£71,466	£11,996
Waste Collection & Street Cleansing	£1,681,180	£1,523,416	-£157,764
Environmental Education	£70,616	£69,774	-£842
Transport and Plant	£807,420	£827,649	£20,229
Committee Total	£3,955,591	£3,991,837	£36,246

- 3.12 The above table shows that the Committee’s net expenditure is estimated to increase overall between 2012/13 and 2013/14 by £36,246.

- 3.13 However within this there are some larger variances; the main reasons for the overall increase are shown in the table below, with a detailed commentary provided in the sections that follow.

Summary of Budget Changes	
Grant falling out	£171,000
Restructure Savings	-£87,000
Internal transfers	£15,000

Depreciation	-£66,500
Sub-Total - Known and Internal Changes	£32,500
Increase in Insurance Premiums	£20,000
Changes in Income Levels	£52,297
Additional Costs	£45,943
Salary Allocations / National Insurance	-£88,655
Budget Savings	-£25,839
TOTAL CHANGE	£36,246

3.14 The above table shows that after allowing for known changes and internal transfers, the increase compared to that estimated in the MFP is £3,746 (i.e. £36,246 minus £32,500). Although overall income is estimated to reduce, together with on-going cost pressures, these are being largely offset by savings in national insurance and various budget savings identified as part of the annual budget round.

Grant Falling Out (£171,000)

3.15 This relates to Housing and Planning Delivery Grant which has, for a number of years, financed expenditure in planning services. This has included development work, capital projects and on-going day to day spending.

3.16 The amount of £171,000 relates to the final drawdown of monies in 2012/13 from an earmarked reserve. The grant was withdrawn in 2010/11 and this amount reflects the remaining reserve which is being used to finance planning services in 2012/13.

3.17 No resources are left and therefore net expenditure has been increased by £170,000 in 2013/14. This was known and had previously been included in the MTFP.

3.18 Some smaller savings and staffing costs, compared to the current budget, totalling approximately £30,000 have been made for 2013/14. Other than that, as planned, mainstream expenditure has been maintained at current levels.

Restructure Savings (£87,000)

3.19 This relates to the savings arising from the restructure of Direct Services approved in April 2012. This has been included in the MTFP.

Internal Transfers (£15,000)

- 3.20 These reflect budgets being transferred between other policy committees to allow for changes in the costing of income and expenditure. The net amount relates to the transfer of the County Council contribution (£86k) into Street Cleansing from Grounds Maintenance for highways/verge maintenance.
- 3.21 This amount has been offset by transport budgets being allocated direct to Community Services (£56k) and software support charges for computer systems (£15k) being reallocated from Finance Committee. As internal transfers, there is no increase to base budgets for the Council.

Depreciation (£66,500)

- 3.22 These are internal charges allocated from Finance Committee. There is an overall reduction due to the writing down of vehicles and plant in the year.
- 3.23 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.

Increase in Insurance Premiums (£20,000)

- 3.24 As reported to the Finance and Management Committee in December, premiums have increased in some areas. The largest increase is on the motor vehicles policy.
- 3.25 As part of the renewals process, a risk management review was agreed which will be provided by the Council's Insurers. This will examine accidents and procedures, etc. involving the Council's Fleet and provide training and guidance to reduce future incidents.

Changes in Income Levels (£52,297)

- 3.26 Overall, the Committee's income, as a contribution to service costs, is estimated to reduce in 2013 /14 compared to the current base budget. The main areas affected are:
- Highways Maintenance - £27,000
 - Trade Waste Collection - £22,000
 - Street Cleansing Services - £17,000
 - Local Land Charges - £12,000
- 3.27 In total, the above amounts to £78,000 per year. Income relating to trade waste, street cleansing and local land charges reflect the current economic climate where demand for these services has fallen.

- 3.28 The reduction in highways maintenance reflects the County Council's proposal to reduce its Agency Budget by 10%. This is still subject to negotiations and formal approval.
- 3.29 This budget directly reimburses the Council's expenditure incurred under the Agency agreement for Highways maintenance and is worth approximately £275,000 per year.
- 3.30 Expenditure has not been reduced by a corresponding amount (10%) in the budget proposals. Therefore, this loss of income shows as a net cost to the Council to maintain current service levels (subject to final approval).
- 3.31 This loss of income has been partly offset by estimated increases in other areas, notably from building regulations and planning fees. Increases of £26,000 have been built in to reflect current volumes.
- 3.32 However, these increases fall short of the forecast assumed in the MTFP. A summary of the revised medium-term position is shown in the following table.

Service Area	MTFP 2013/14 (£'000)	Proposed Budget 2013/14 (£'000)	Variance (£'000)
Building Regulations	240	235	- 5
Planning Application Fees	598	550	- 48
Land Charges	125	88	- 37
Total Income (main Service Areas)	963	873	-90

- 3.33 The table shows that overall income now estimated for 2013/14, is £90,000 below that forecasted in the MTFP. This will affect overall resources and will need to be reviewed as part of the revised financial plan to be considered by the Finance and Management Committee on 17th January.
- 3.34 The main reasons for the overall reduction (compared to the Plan) are planning fees and land charges income. Within the MTFP, it is assumed that income would start to increase as the economic situation strengthened.

3.35 Although income from building regulations and planning fees is showing signs of increasing, they are not expected to achieve the levels in the current MTFP by 2014.

Additional Costs (£45,943)

3.36 The main cost pressures are in the transport and plant account. This has been reporting a potential overspend during 2012/13 and the proposed base budget for 2013/14 reflects this situation. The proposed budget has been increased by £24,000 on maintenance of vehicles, including additional labour and parts.

3.37 It should be noted that there have been no major replacements of vehicles and plant for the last two years. Although this saves capital resources, it places pressure on day to day budgets for repairing and maintaining the fleet.

3.38 This service area has recently been reviewed and any proposals will be reported separately to the Committee. In addition, the current asset replacement schedule and available capital resources will be reviewed and reported to the Committee during 2013/14.

3.39 The other main (although less significant) increase is an additional £9,000 for the new Dog Kennelling Contract. This was anticipated following approval by the Committee earlier in 2012.

3.40 There are several other smaller cost increases for maintenance, business rates and utility costs across the Committee's services, which in total amount to approximately £12,000.

Salary Allocations/National Insurance Contributions (£88,655)

3.41 Included in this figure is an amount of approximately £63,000 for reduced employer's national insurance contributions in 2013/14. As expected, new rates were introduced on 1st April 2012, but have impacted much less than anticipated due to average earnings being below the new thresholds for increased contributions.

3.42 There have been some reallocations of salary budgets between planning cost centres. After allowing for this and the decrease in national insurance contributions, the overall pay budget has reduced by approximately £25,000 in 2013/14 compared to 2012/13 budget.

Budget Savings (£25,839)

- 3.43 Various budget heads have been reduced across several services following base line reviews. There are no major reductions in any one cost centre and they should not impact on service delivery.

Other Budget Considerations

- 3.44 Other issues that have been built into budgets and that could have an impact in the medium-term are detailed below.

The Local Plan

- 3.45 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). An amount of £76,000 has previously been set-aside in an earmarked reserve towards meeting these costs.

- 3.46 In addition, it is anticipated that an under spend on Planning Services in 2012/13 of £45,000 can also be used as a contribution towards costs. However, this will still leave a potential shortfall of over £40,000.

- 3.47 This will need to be kept under review during 2013/14, but a further contribution from general reserves may be required to make up any shortfall.

Waste Collection and Recycling

- 3.48 A report was considered by the Committee on 20th December 2012 to extend the kerbside collection service. The additional costs have been met from other budget savings identified from the baseline review of the Waste Collection Service.

- 3.49 Due to timing of reports, the implications have not been reflected in the proposed budgets. They will be adjusted to reflect the change in services when the final budget is approved in February 2013. However, there will be no net increase in overall budgets, i.e. the additional cost will be contained within existing budgets.

4.0 Detail

- 4.1 **Appendix 1** summarises the Committee's budgets at cost centre level with **Appendix 2** analysing changes between 2012/13 and 2013/14 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 proposed base budget for 2013/14 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, if a national pay increase is approved.
- 4.8 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.

- 4.9 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

- 4.10 The MTFP continues to hold a provision for increased costs of waste collection due to the growth of the district. This is a phased increase from 2012/13 and eventually rises to £100,000 per year.
- 4.11 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. It is not expected that this will be the case now for the next 2 to 3 years, but will be kept under review.
- 4.12 Therefore, the provision for 2012/13 and part of 2013/14 will now be used to finance a proportion of costs associated with implementing the new kerbside recycling service. This will help to embed the extended service until 2014/15 where after, additional budget savings will need to be identified

General Basis of the 2013/14 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 3 approved schemes for which 2 are on target to be substantially completed in 2012/13. Firstly, £60,000 is included for restoration/heritage works in conservation areas.
- 4.16 This scheme is still awaiting confirmation of £30,000 funding from English Heritage, which would be supplemented by a £10,000 contribution by Derbyshire County Council. This is for restoration/heritage works in conservation areas (PSiCA), which would be offered on a match-funding basis

- 4.17 There also two smaller schemes to replace noise monitoring equipment (£13,000) and to purchase new software for recording and monitoring land contamination (£16,000).

Proposed Fees and Charges 2012/13

- 4.18 **Appendix 3** provides a schedule of the proposed level that will operate from 1st April 2013, together with a comparison to the existing charge. Where applicable, VAT is also added at the appropriate rate.
- 4.19 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 that is currently running at approximately 2.5%, although due to roundings this can vary. Some of the key points are highlighted below.

Collection of Trade Waste

- 4.20 It is proposed to increase all current charges by inflation only (between 2% and 3%) in 2013/14. This is to cover the costs of disposal charges and fuel.
- 4.21 It is considered that the Council's prices will remain competitive compared to other service providers in the commercial waste field. However, this will need to be kept under review given the overall reduction in income being generated in 2012/13 compared to the budget.

Land and Property Searches

- 4.22 No major changes are proposed for 2013/14. As highlighted earlier in the report, overall income continues to fall compared to the budget.

Licenses and Charges under the Licensing and Gambling Acts 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 charge under the legislation. However, it is unlikely that these licenses, for example that apply to casinos, will be applicable.
- 4.24 Where the authority has discretion such as food export certificates, a 5% increase is proposed for 2013/14. it is planned to review other licenses

during the year following the restructure of the licensing function and change in working practices.

Private Hire Licenses

- 4.25 No major changes are proposed and fees will also be reviewed during 2013/14.

Other Environmental Health Charges

- 4.26 Fees for Pest Control have been reviewed following service changes earlier in 2012/13. Generally, it is proposed to increase these by 5%, although some charges have been reduced to reflect commercial prices and volume of requests.

Planning Services

- 4.27 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.

Fees for Building Regulations

- 4.28 These are reviewed and approved separately on a periodic basis in accordance with market and general pricing conditions (including legislative requirements) in the sector.
- 4.29 The fee structure is designed to recover building regulations costs and associated matters. These can be accessed at:

[http://www.south-derbys.gov.uk/Images/Building Regulation Charges 1st April 2012_tcm21-203478.pdf](http://www.south-derbys.gov.uk/Images/Building%20Regulation%20Charges%201st%20April%202012_tcm21-203478.pdf)

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