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<b>REPORT TO:</b>	<b>ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE (SPECIAL – BUDGET)</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>6th JANUARY 2009</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: u/ks/budget round 0910/eds committee</b>
<b>SUBJECT:</b>	<b>SERVICE BASE BUDGETS 2009/2010</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 2009/10 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 as detailed in Appendix 4 for 2009/10 are considered and approved.
- 1.3 That the proposed fees and charges as detailed in Appendix 5 for Building Regulations are approved.
- 1.4 That the fee for Commercial Land Searches is set at £135 from 1<sup>st</sup> April 2010.

## **2.0 Purpose of Report**

- 2.1 To detail the Committee’s proposed base budget for 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 2009/10 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.

### **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, with combined income in excess of £1m per year.
- 3.5 Consequently, these areas can have a big impact on the Council's overall financial position. The associated income streams are difficult to predict and are subject to external factors such as the type and volume of planning applications. Consequently, they are considered to be a fairly high risk in the Council's medium-term financial plan (MTFP)
- 3.6 As reports to the Finance and Management Committee have highlighted during the year, the current economic downturn has had a negative impact on these major income streams forcing a revision to the MTFP.
- 3.7 In addition, the Council has been subject to major plan inquiries over the last 2-years, the costs of which have predominantly been met by the Council. However, it is anticipated that planning fees will again increase in the future as sites are released for development.

#### **Overall Financial Position**

- 3.8 It is expected that the Council's overall situation will tighten in 2009/10 with knock-on effects over the life of the Medium-Term Financial Plan (MTFP) to 2014. This is mainly due to the current economic downturn and the effect this is having on reducing income streams in particular.
- 3.9 The Finance and Management Committee will consider the detail of the overall financial position on 15<sup>th</sup> January 2009, including proposals from this Committee. Therefore, it is important that this Committee continues to scrutinise spending, income levels and efficiency savings.
- 3.10 In addition, the spending proposals detailed in this report do not allow for any additional growth in services or new spending, other than that approved in previous budget-rounds. This situation will be kept under constant review.

3.11 The following table provides an overall summary of the Committee's net revenue expenditure.

Analysis of Net Revenue Expenditure 2007/08 to 2009/10	Actual Out-turn 2007/08 £	Approved Budget 2008/09 £	Proposed Budget 2009/10 £
Economic Regeneration	87,703	101,099	80,039
Environmental Services	3,680	(958)	571,618
Highways	109,462	115,896	134,530
Licensing and Land Charges	(310,441)	(288,020)	(62,620)
Planning	(693,510)	(602,690)	623,331
Town Centre	48,687	72,095	72,413
Waste Collection & Street Cleansing	1,067,767	1,364,325	1,107,676
<b>Committee Total</b>	<b>313,348</b>	<b>761,747</b>	<b>2,526,987</b>

**Note – Figures in brackets denote net income**

3.12 The above table (and **Appendix 2**) show that the Committee's net expenditure is estimated to increase overall between 2008/09 and 2009/10 by £1,765,240. In summary, this can be accounted for as follows:

Departmental/Employee Costs transferred from Finance Committee	£1,715,366
One-off expenditure falling out	(£118,000)
Reduction in Leasing Costs	(£5,779)
Other Changes in the Base Budget	£173,653
<b>Total Overall Increase</b>	<b>£1,765,240</b>

**Note – Figures in brackets denote less expenditure**

3.13 An analysis of these variances is detailed across services in **Appendix 1**. The above table highlights some large variances, the most significant being £1.7m relating to Departmental and Employee costs.

3.14 However, it should be noted that these are not additional costs to the Council. They represent the cost of the main departmental accounts for planning, environmental health, waste and cleansing services, that have previously been charged to and then reallocated from Finance Committee.

3.15 From 2009/10, the costs of employees and the associated overheads will be charged straight to the cost of the service that they directly support. It is considered that this will provide an easier analysis of direct service costs in the future.

### **One-off Expenditure**

3.16 This relates to expenditure where approval to spend runs out after 2008/09. It typically relates to one-off expenditure in the year that was approved to top up certain budgets or to meet one-off issues in 2008/09. The total of £118,000 is made up as follows:

- Purchase of Extra Litter Bins across the District - £5,000
- Increase in Christmas Lights Budget - £8,000
- Implementation of Economic Development Strategy - £20,000
- Costs of Major Plan Inquiry - £85,000

3.17 The other major variance is “other changes,” totalling approximately £173,000. The main reasons for this are as follows:

- Net reduction in income from Land Searches - £60,000
- Net reduction in income from Planning Fees – £59,000
- Net reduction in income from Building Regulations - £70,000
- Increase in Kennel Fees - £12,000
- Offset by an increase in income from Licensing - £28,000

3.18 The issues relating to these variances have been known and reported to Finance and Management Committee as part of financial monitoring throughout the year. The increase in Kennel Fees was subject to a report to this Committee in November 2008.

### **Income from Land Charges, Building Regulations and Planning Fees**

3.19 The reduction in income compared to budget, has been much sharper than estimated a year ago, due to the downturn in the economic climate. As previously highlighted, this necessitated a revision to the Council’s MTFP earlier in the year and the effects are still having an adverse impact on the Council’s overall financial position.

3.20 It is anticipated that once the economy recovers and development/growth picks up, then income streams will again increase. However, the timing and level of this increase cannot be predicted and it is uncertain whether in the meantime, the current situation could worsen.

3.21 The Council’s longer-term financial plan shows the following projections regarding future income.

<b>Analysis of income from planning applications, building regulations and land charges</b>	<b>Planning Fees £</b>	<b>Building Regs. £</b>	<b>Land Charges £</b>	<b>Total £</b>
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
Base Budget 2008/09	590,000	325,000	220,000	1,135,000
Projected Out-turn 2008/09	590,000	255,000	130,000	975,000
Projection 2009/10	531,000	255,000	130,000	916,000
Projection 2010/11	590,000	300,000	180,000	1,070,000
Projection 2011/12	590,000	340,000	220,000	1,150,000
Projection 2012/13	590,000	340,000	220,000	1,150,000
Projection 2013/14	590,000	340,000	220,000	1,150,000

- 3.22 The table shows that income started to reduce during 2007/08 and a more prudent budget was set for 2008/09. However, income has fallen much more sharply in 2008/09, especially in relation to building regulations and land charges.
- 3.23 This is expected to continue during 2009/10 with a recovery during 2010/11. It is projected that by 2011/12, overall income will be back to current base budget levels (although not as high as previous peaks).
- 3.24 This position has been revised down slightly since that reported to Finance and Management Committee in September 2008. On the plus side, it is expected that over the next year or so, some larger planning applications will be forthcoming as sites are released for development and the growth of the district continues. These are not included within the above projections.
- 3.25 However, it should be noted that additional fee income needs to be generated to fund extra staffing resources in Planning as approved by the Council in July 2008. Recruitment and management of existing staffing levels are currently under review and being monitored closely whilst the current situation continues.
- 3.26 In addition, there are proposals later in this report to vary the level of fees for building control and land searches.

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

- 3.27 The Committee will be aware that these services have been subject to a market testing exercise in accordance with competitive tendering procedures. The outcome of this exercise will be reported separately to the Committee.
- 3.28 Pending this outcome, the costs of current service provision have been maintained at the current base for 2008/09. Any changes to base costs will be reported separately and will need to be reflected in revised budgets when confirmed.

### **Recycling**

- 3.29 There is evidence to suggest that the current economic situation is reducing the price of recycled materials due to a fall in demand. Although at this stage there has been no impact, this could also affect Council budgets through an increased cost of the kerbside collection service for recycled materials.

## **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 2007/08 (actual) to 2009/10 (proposed) as contained in the Council's main accounting system. A summary is provided in **Appendix 2**, with a detailed analysis of variances in **Appendix 1**.

- 4.2 Unlike previous years, they 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 practice, when approved through the budget process.

### **Inflation**

- 4.4 In addition, the proposed base budget for 2009/10 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 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 2008/09 Base Budget**

- 4.7 The estimates are also based on service levels in 2008/09 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.

<b>Scheme</b>	<b>Cost £'000</b>	<b>Note</b>
Environmental Management Initiatives (EMAS)	10	This is a small fund set up last year in order to implement some energy saving initiatives, mainly in public buildings and to help towards the Council achieving EMAS accreditation.
Town Centre Improvements (Phase1)	17	Final payments due on the “gateway” scheme from 2007/08.
Flood Alleviation	12	Compensation payments arising out of works completed last year at Hatton. 75% is funded via a Government grant.
Partnership Schemes in Conservation Areas	246	Commenced in 2007/08 and is a 3-year programme, the Council’s contribution being £40,000 per year.

## **Other Potential Schemes awaiting Approval/Funding Allocations**

- 4.9 As part of Growth Point funding awarded to the Council for 2008/09, £150,000 has been set-aside to finance design and construction services to deliver Phase 2 of the Swadlincote Town Centre Masterplan. This is due to commence in early 2009.
- 4.10 Actual physical works are subject to an external funding package, approval for which is imminent. If approved, this could amount to substantial investment in the town centre.

## **Proposed Fees and Charges 2009/10**

- 4.11 **Appendix 4** provides a schedule of the proposed level that will operate from 1st April 2009, together with a comparison to the existing charge. Each service area was given a target to generate 2.75% additional income compared to current base budgets.
- 4.12 Some individual charges may have increased by a different amount depending on demand and take up of services where a charge is made. These factors have also been taken into account when proposing charges.
- 4.13 The charges have also been amended to reflect the recent change in the VAT rate from 17.5% to 15% for the period December 2008 to December 2009.

## **Fees for Land Charges**

- 4.14 As highlighted earlier in the report, the downturn in the UK economy has significantly reduced income from land charges. Work has been completed to identify the cost of providing the service to ensure that the Land Charges function is costed on a recovery basis as required by legislation.
- 4.15 The current fee for the Council's search is set on cost recovery basis, as per Department of Communities and Local Government guidance, at £104, and this should be the fee for the forthcoming year 1st April 2009 to 31st March 2010.
- 4.16 Currently, this is a flat fee of £104 for a search. However, it is proposed to introduce a different fee for residential and commercial searches to reflect the time taken to complete commercial searches. The definitions of residential and commercial are:
- Residential: Domestic dwellings including houses, bungalows and self contained flats, either in residential or holiday use, where the vendor is a private individual. Also includes individual building plots for residential purposes, where the site is either currently vacant or under construction.
  - Commercial: All other types of search
- 4.17 This would need to be done on a cost recovery basis and will result in the fee for commercial searches being increased to £135. It is proposed that this is introduced from 1st April 2009.

## **Building Regulation Fees**

4.18 **Appendix 5** sets out in detail proposed changes to the fee arrangements for building regulations. These have been proposed by the Head of Planning Services and recommend changes to fees between now and April 2010.

4.19 This is largely to bring them into line with the fee harmonisation proposals, being formulated for the joint working initiative across Derbyshire authorities.

### **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