

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Environmental Services Portfolio Holder 25 January 2010

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REVENUE AND CAPITAL ESTIMATES FOR THE ENVIRONMENTAL SERVICES PORTFOLIO

Purpose

1. To consider the Revenue Estimates up to the year 2010-11 and the Capital Programme up to 2014-15.
2. This is not a key decision. However, the report presents the relevant estimates for endorsement by the Portfolio Holder, prior to being included as part of the overall estimates to be presented to the Cabinet and confirmed by Council in February 2010.

Background

3. The estimates for the Environmental Services Portfolio form part of the overall considerations for the Council's annual budget setting exercise and include the following services:
 - Environmental Health General
 - Footway Lighting
 - Food Safety
 - Pest Control
 - Refuse Collection and Street Cleansing
 - Waste Recycling (including Kerbside and Bank Recycling)
 - Environmental Protection
 - Emergency Planning
 - Action on Dogs
 - Licensing Act 2003 & Gambling Act 2005
 - Taxi Licensing
 - Miscellaneous Environmental Health Services
 - Illegal Encampments
 - Improvement Grants
 - Home Improvement Agency
 - Democratic Representation Training
4. The Finance and Staffing Portfolio Holder approved the Staffing and Central Overhead Estimates on 16 December 2009. The recharges approved at that meeting are recharged to all services, as appropriate. These are termed as Central, Departmental and Support Services in the detailed estimates and the analysis reflects the current service structure. It should be noted that, as all the recharges have already been approved, individual portfolio holders cannot amend them.
5. The estimates for each portfolio are being reported to the relevant Portfolio Holder. These estimates will then be summarised in a report for examination by the Scrutiny and Overview Committee on 4 February, consideration by the Cabinet on 11 February and finally, presentation to the Council on 25 February for confirmation of the estimates and levels of the Council Tax and Rents.

6. The revenue estimates are set out in **Appendix A**, whilst the capital programme is shown at **Appendix C**.
7. Provisions for inflation have been applied only in cases where price increases can be justified. No automatic inflation allowance has been applied, but the 2.5% overall assumption of non-pay inflation in the Medium Term Financial Strategy remains as the overriding level of provision.
8. Where applicable, the estimates of each portfolio incorporate the approved savings agreed by Cabinet and Council in November 2009 and all other expenditure approvals made up to that date. They also take account of any virement made during the year and rollover of budget from the previous year.
9. All the estimates exclude the small number of 'Precautionary Items', which are listed at the back of the current estimate book. They are specific, exceptional items of expenditure that may or may not occur during the budget period, but if they did the Council would be required to meet them. An updated list will be presented to the Cabinet on 11 February 2010.

Considerations

REVENUE ESTIMATES: REVISED 2009-2010 AND ESTIMATES 2010-11

10. The revenue estimates for this Portfolio are shown at **Appendix A**. The total estimates have been analysed between direct costs, including environmental operations operative salaries, capital charges, credits from deferred government grants for capital expenditure, and recharges, so that the direct costs can be identified for comparison. This is considered appropriate because the direct costs are specifically within the control of the relevant cost centre manager. By contrast, the Staffing and Overhead Estimates determine the recharges and the capital charges along with the deferred government grant adjustments are notional and thus do not affect the overall expenditure of the Council. Compared with the 2009-10 original estimates, the net direct costs decreased by £91,690 in the Revised Estimates and decreased by £158,900 in the 2010-11 Estimates. The decreases are due to the required savings.
11. The **Appendix B** also shows a net direct costs comparison for both years, between the expected target expenditure and the new estimates that have been compiled for this meeting; the target was arrived at by taking the total direct and operative salary costs in the original 2009-10 estimates and adjusting for any virement, rollover, approved additional expenditure and, for next year, inflation. The result is that the 2009-10 Estimate is £22,270 outside the target. This is covered by a reduction of £40,550 in direct expenditure in the Awarded Watercourse service within the Sustainability, Procurement and Efficiency Portfolio leaving a net £18,280 within the target whereas the 2010-11 estimate is £91,530 outside the target.
12. To focus Members attention on headline figures, only the summarised expenditure on each service has been included within this agenda at Appendix A. The detail behind these figures will be provided within the Estimate Book presented to Council in February. Comments on the individual estimate headings are given in the following paragraphs. All comparisons therein are made with the original 2009-10 estimates. All the 2010-11 estimates include an element of inflation, where necessary.

Environmental Health General

13. In order to achieve the £1.6m General Fund savings target in 2010-11, each Portfolio was awarded its own individual target. Every best effort has been made to identify where these savings are to be made with the aim of keeping the impact on services and ultimately the public down to a minimum. To date all savings declared toward the target have been identified with the exception of £35,000. This has been allocated to this general services cost centre with work continuing, aimed at its specific identification.

Footway Lighting

14. The 2009-10 original budgets for direct expenditure are directed towards replacing those lights knocked down or causing danger to public health and safety. As such, it could be seen as budgeting for contingencies – something that is being discouraged.
15. As a commitment to the savings agenda, it has been decided that £10,000 from this budget be transferred to the list of precautionary items, leaving £3,190 in the annual budget to deal with knockdowns etc... before an allocation from reserves is sought.

Pest Control

16. The volatility of activity levels due to climatic changes, makes it extremely difficult to set accurate estimates with regard to income levels. Current activity levels are indicating that this year's original target will be achieved.
17. A partnership agreement has been set up whereby this Authority's operatives have undertaken the pest control services of East Cambridgeshire District Council with effect from 1st April 2009. The estimated £10,000(net) additional income generated from this partnership agreement has gone towards the 2010-11 savings target.
18. Because of recent fluctuations in activity levels and as a response to market competition, it is proposed that no fee increases be assigned to this service in 2010-11.

Integrated Waste Management & Street Cleansing Strategy

19. The budget in place for running the vehicle used by the Environmental Services team (£5,310) has been transferred to the staffing and overhead estimates and as such should not be counted as a saving as it will be recharged across all relevant services – not just this one, at the end of the financial year.
20. In 2009-10 a total of £11,100 has been included within the revised estimate for conducting recycling focus groups and trialling new recycling vehicles as part of the strategic waste and recycling review. A £5,000 rollover of unspent budget from 2008-09 was agreed in principle to fund part of this and should therefore be added to the original estimate as part of the targeted portfolio budget.
21. As part of the savings agenda, the £8,150 consultancy budget utilised on the provision of NI195 street cleanliness surveys has been declared towards the savings target and has therefore been removed from the budget in 2010-11. These surveys will now be undertaken by utilising existing staff resources.

Refuse Collection Service

22. Because of the recession and the slowdown in the housing market, the £40,000 injected in the MTFS per year to cover round expansion has been reassessed and reduced to £20,000 in 2009-10 and a further £20,000 in 2010-11 that has resulted in a £40,000 saving over the two years. This saving has been declared towards the £1.6m General Fund savings target in 2010-11.
23. There are two cost headings that are showing distinct budgetary pressures:
 - Fee income; and
 - Trade waste service disposal charges
24. The trade refuse collection service is a valuable commercial resource with the trading surpluses made, being used to offset the costs of operating the domestic collection service. In an attempt to meet customer demand and increase the surplus made from these commercial activities, Members approved the recommendation to expand the trade service to incorporate a cardboard recycling service for both existing customers and new customers according to a prescribed business model that would generate both additional income through selling the raw material and diverting tonnages away from landfill thus saving on the imposed landfill tax charge.
25. In the business model, Cambridge City Services cardboard collection service was used as a benchmark for predicting the tonnages that could be collected using our current customer base. In reality, although the number of customers is greater in South Cambridgeshire, experience has shown that general consumption of cardboard is lower than within the City and hence lower tonnages have been collected than was anticipated.
26. The effects of this comparatively low volume of cardboard collected is two fold:
 - A fall in income from the sale of this raw material to the processing plant or agent, compounded further by the fluctuating wholesale price of this raw material which cannot be predicted and cannot therefore be budgeted for; and
 - Lower savings than were predicted from diverting waste from landfill in this financial year.
27. Over the last twelve months the effects of a recession have hit the commercial activities of both the private and the public sectors. It is widely acknowledged that this particular recession has been one of the deepest in recent history, and at the same time, the Authority has been trying to further develop its trade waste collection service. As part of the business model, a target of 100 new trade-recycling customers was included. This target has been met but it's also fair to say that other trade customers have dropped out either through natural turnaround or as a direct result of the recession.
28. The six month budget position statement reported to the Portfolio Holder in November presented an over spend on the profiled budget of £53,000, but this was offset by other portfolio budgets being under spent by an accumulated similar amount. This position has also been reported to senior management both in October and November's monthly financial position statements with the emphasis on the recurrent break-even policy.
29. It was also reported at the Portfolio Holder meeting on 9th November that the current position regarding the trade collection service be reassessed to reflect the current customer base and the predictive tonnages of cardboard collected with the

corresponding income and expenditure figures being reflected in both this years revised and the original budget for 2010-11. Next years estimated income has incorporated an uplift in the unit collection charge as proposed through the savings exercise and an element for growth in the customer base.

30. Comparing the revised net direct expenditure with the corresponding original 2009-10 estimate adjusted for the declared savings and reduced salary increase over that budgeted (of 1.5%) has resulted in the budget being £92,000 outside the target budget for the reasons mentioned above; this excess has been covered by savings within other service areas. The surplus budget over that set aside in the MTFS in 2010-11 is £84,000. No additional budget reductions or income generation streams have been identified at this stage to offset against this.
31. The landfill tax charge that's imposed on all commercial waste that is being landfilled is another area of spending pressure. Currently the County Council charges £58.17 per tonne to tip commercial waste. In 2010-11 this will rise to £67.06 a rise of over 15% and equates to an increase of £16,500 over the 2009-10 revised estimates, £50,000 over the actual 2008-09 and a marked increase of £78,000 over what was provided through the budget originally.
32. Although this tax rise will be passed on to the customer through the collection charge, a balance has to be struck whereby fees are set at a competitive level to both retain current customers and entice new ones. It would therefore be beneficial, and indeed essential, to forge ahead with the drive to convert existing trade customers to our recycling service, but with dedicated staff resource reduced through savings, this may prove difficult to achieve. A programme of work has commenced in which Environmental Health staff actively seek out businesses that do not have satisfactory waste collection and disposal arrangements. A consequence of this work may well lead to further customers requesting the service from SCDC. However, the budget for tipping fees has been set at the present levels of tonnages collected, which is hopefully a worse case scenario.

Kerbside Recycling

33. As presented in the six month financial monitoring report at the November meeting, the high stock levels of kerbside recycling boxes at the start of the financial year meant that the reordering programme for box replacements has had to be reevaluated leading to a saving of £11,000 for this year.
34. Current and predicted tonnages of dry recyclables collected have manifested itself into an increase in income from waste recycling credits, worked out as a figure per tonne of collectable material, payable by the waste disposal authority (WDA). In this financial year it is estimated that income from this source will show an uplift of approximately £15,000.
35. At their respective meetings in November, Cabinet and subsequently Council approved that the Authority reconfigures its household waste and recycling services to provide a two stream co-mingled dry recycling service alongside its alternate weekly green and black-wheeled bins service. The existing kerbside box recycling service will be replaced with a blue 240litre wheeled bin with a 40litre inner caddy. This new service will be implemented and operated by the Council's in-house environmental operations unit as a directly managed service and will replace the current external contractor when the contract expires in October.

36. It was proposed at the Cabinet meeting on 12th November that operating this new service would provide indicative net savings in year 3 of the service in the region of £425,000 once all the initial set-up costs of the re-configured service had dropped out.
37. Within the MTFs, this identified saving has been phased over the relevant financial years and included as a separate entity from the £1.6m savings target. As such, any saving identified from implementing this new service in 2010/11 has had to be ignored within the comparative summary shown at Appendix B.
38. It must be stressed that every best effort has been made in drawing up a working budget in respect to the new service based on current known facts. There are however still a number of uncertainties remaining. For instance the tonnages of dry recyclables collected, the attained price of the raw material when sold to the processing plant and the processing costs associated with procuring the new MRF (material reclamation facility) services, which will have to go through a EU compliant tendering process are all unknowns but have been included using experience and benchmarks. Costs will continue to be monitored against the proposed budget on a month-by-month basis with budget variances reported and adjustments made as necessary in compliance with financial regulations.

Bank Recycling

39. The continued success shown in the tonnages captured from the kerbside recycling scheme has inevitably led to a downturn in credits receivable through materials collected via the bring sites. Although income from recycling credits across both streams has risen over the last two years by £46,000, the actual income received from the bank sites has tailed off to the extent that the base budget needed to be revised.
40. The original budget in 2009-10 of £72,560 is not achievable especially in light of last years actual being only £59,800. Based on the first six months the new income target for recycling credits in respect of the existing service has been revised down to £45,650. In addition to this, negotiations are taking place for the introduction of textile banks at sites across the district. It was hoped that this would bring in additional credits of £7,000 in this financial year and £15,000 next year. However, because of the late introduction of this initiative, the £7,000 is now seen unachievable and has been revised down to an additional £3,500.
41. Members will recall that a service bid of £26,000 was approved for the extension of the plastic bottle recycling so that all villages and schools are served by 2010. When this service was re-assessed, it was believed that by not using external contractors and bringing the collection service in-house, a saving of £18,000 could be identified. This saving has gone towards the savings that were agreed by Cabinet and Council.
42. Another savings initiative proposed is in connection with the in-house service taking over the servicing of the paper banks when the current contract with the external service provider expires in October 2010. Doing so would hope to save the Authority £7,000 in 2010-11 that may increase in future years when the full year effect kicks in. There has been a sum of £18,730 instilled into next years budget to cover the one-off cost of purchasing bins to facilitate the collection of paper when the current contractor-owned bins are removed. This is not an addition to the budget, the budget has been transferred from that provided in the Kerbside Collection service for the replacement of kerbside boxes, which is deemed obsolete following the decision to move towards the wheeled bin method of collection.

Street Cleansing

43. The main contributory factor for the £43,000 saving in direct expenditure on this service in 2009-10 is down to the vacancies when operatives are transferred both temporarily and permanently between street cleansing and refuse collection duties.
44. In order to sustain the operational function of the refuse collection service, its common practice that during times of high staff absence levels either due to sickness, turnover or holiday commitments that operatives are transferred from street cleansing to refuse collection duties.
45. In recognition of the fact that there is likely to be staff turnaround during the year, a £7,000 permanent reduction in the operative salary budget has been declared towards the savings target and is reflected in both the 2009-10 revised and next year's estimates.
46. In 2009-10 the Land Drainage operatives worked on street cleansing duties for the three months of the year when it's not feasible to work on the watercourses either because of climatic conditions or ecological constraints. Now that the Awarded Watercourse service has been tendered and the contract awarded to the internal bid, new working arrangements will mean that in future those operatives will no longer be working on street cleansing.
47. Although this has led to a reduction on the street cleansing service budget of approximately £11,000 that will go towards offsetting the uplift on the Awarded Watercourse budget within the Sustainability, Procurement and Efficiency Portfolio, it is also likely to have an impact on the overall performance with regard to litter picking.

Environmental Protection

48. A budget of £20,000 had been included in the original 2009-10 budget to identify risk and remediate land of a particular site shown to have elevated concentrations of metals and hydrocarbons. There had been doubt as to who the registered landowner of the site actually was and therefore where liability for remedial action lies. Due to the complexities of the subject, legal wrangles have been protracted in this case. It has now been proved that this Authority is not the registered owner of the land and therefore does not have responsibility for its remediation. This has led to the non-recurring £20,000 being saved from the budget.
49. Budget pressures have been placed on this service by changes imposed by DEFRA in the way pollution control licences are issued and subsequent license fees received. Instead of licences being issued annually, new regulations have been introduced based on a risk assessment strategy whereby low risk polluters will only need to be assessed and licensed once every three years. With South Cambridgeshire being a largely rural district, devoid of heavy industry, most of the businesses are categorised as low risk.
50. This has had a detrimental effect on income levels with budgeted fee income falling by nearly one third – down to £18,280. The fees for pollution control licences are statutorily set and it is felt will not increase from the current level next year.

Licensing

51. There is an indication that the recession experienced in the last twelve months has affected the income from licensing of alcoholic premises and their licensees mainly due to closures of public houses and other licensed establishments.
52. With current income levels similar to those of last year, it is proposed that the revised 2009-10 budget be pegged at last year's actual figure i.e. £101,000 – a reduction of £9,250 against that budgeted for. With licensing fees being statutorily set and with the unlikelihood of any increase it is recommended that this figure be carried forward as the new base budget for 2010-11.

General Fees and Charges

53. It should be recognised in order to meet the savings target imposed on this Portfolio, an increase in discretionary fees and charges across certain service areas has been necessary. An increase of 6% on these services have therefore been proposed as part of these estimates which should generate £19,000 additional income over and above that which would have gone into the MTFs. This is on the assumption that current activity levels remain constant. One notable exception is the fees and charges imposed by the Pest Control service that remains fixed at 2009-10 levels. A further schedule of fees and charges forms a separate item on this Portfolio's agenda.
54. Recharges from Staffing and Overhead Accounts - Central, Departmental and Support Services (see estimates report to the Finance and Staffing Portfolio Holder 16 December 2009):
 - (a) The total estimated recharges from Staffing and Overhead Accounts to this portfolio increased by a moderate amount of £5,020 from £2,587,070 in the original 2009-10 Estimate to £2,592,090 in the 2010-11 Estimate. The 2009-10 Revised Estimate of £2,550,810 is £36,260 (-1.4%) lower than the original estimate. The change in recharges to this portfolio may be compared with the Council's overall recharges to services, as below.
 - (b) In general, the level of recharges depends on the cost of the service and support officers' time, ICT, contact centre, administrative buildings (Cambourne Offices and Waterbeach depot), Central Expenses and Central Support Services. Over the whole Council, these costs to be recharged were £18.876m in the Original Estimates 2009-10, £18.198m in the Revised Estimates 2009-10 and £17.419m in the Estimates 2010-11. These equate to decreases of £0.678m (-3.6%) in 2009-10 and £1.457m (-7.7%) in 2010-11, when compared with the original estimate 2009-10. The savings reductions were the main reason for 2010-11 decrease, but only one factor in 2009-10, when the substitution of the 2.5% pay award with 1% and vacancies in Cambridgeshire Horizons/Housing and Planning Delivery Grant funded posts were also major reasons for the reduction.
 - (c) The costs being recharged to each portfolio, however, depend on how the above sums are allocated across services. Most central overhead costs are distributed per head to each officer, whose total cost is then allocated according to the officer's latest estimate of time spent on each service.

CAPITAL ESTIMATES:

REVISED 2009-10 AND ESTIMATES 2010-11 TO 2014-15

55. The overall capital programme for the Council will be subject to further consideration by the Cabinet and Council, due to the current shortfall of capital funding. The capital programme for this portfolio is attached at **Appendix C**.

- 56. In order that all significant capital items may be evaluated consistently throughout the Council, those items in the capital programme in 2010-11 or later that are over £25,000 in value are subject to the completion of a proposal form for consideration alongside the capital programme being approved. Accordingly, the relevant proposal forms for this portfolio, is attached at **Appendices D**.
- 57. Clearly the dominating item of expenditure next year is the £1,509,000 needed to secure the procurement of the 60,000 blue 240litre wheeled bins and inner caddies required to facilitate the new co-mingled dry recycling collection service. This £1.5m is part funded by a £500,000 contribution from the County Council with the remaining £1m being drawn down from General Fund reserves.

Implications

- 58. Financial:
 - (a) The estimates for the General Fund Services of this Portfolio will be included in the General Fund Summary of estimates along with the expenditure of other Portfolios.
 - (b) The Capital Estimates for this Portfolio will be included in the Council’s Capital Programme.

Legal	No additional implications. The estimates show the financial effect of decisions that have already been made.
Staffing	As above.
Risk Management	As above.
Equal Opportunities	As above.

Consultations

- 59. The relevant cost centre managers, who are responsible for setting the level of their respective budgets and controlling the expenditure within them, have been consulted in the compilation of the estimate figures.

Effect on Strategic Aims

Commitment to being a listening council, providing first class services accessible to all.	To determine detailed Environmental Services Portfolio budgets to provide the resources for the Council to continue its services to achieve its strategic aims as far as possible within the current financial constraints.
Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.	
Commitment to making South Cambridgeshire a place in which residents can feel proud to live.	
Commitment to assisting provision for local jobs for all.	
Commitment to providing a voice for rural life.	

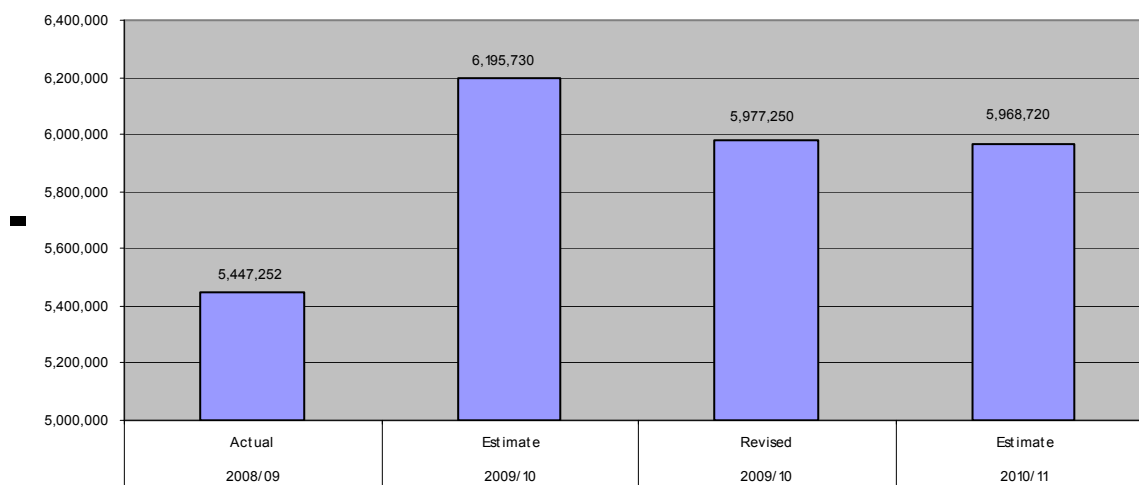
Conclusions/Summary

60. The total net expenditure as shown at **Appendix A** is reproduced below to show the percentage increase between budgets.

Year	Amount £	£	Increase %
2008-09 Actual	5,447,252		
		+ 748,478	+ 13.7%
2009-10 Estimate	6,195,730		
		-218,480	- 3.5%
2009-10 Revised	5,977,250	} - 227,010	- 3.6%
		- 8,530	- 0.1%
2010-11 Estimate	5,968,720		

These comparisons are shown diagrammatically below:

ENVIRONMENTAL SERVICES PORTFOLIO



61. The increase in expenditure from 2008-09 to the 2009-10 original estimates of £748,478 was largely as a result of an overall increase in recharges of £176,657, notional capital charges of £171,573 approved bids, budget re-phasing and Cabinet decisions of £197,810 and inflation.
62. The decrease of £218,480 in the revised 2009-10 estimate compared with the original estimate in 2009-10 was due to reductions in recharges (£36,260), decrease in capital charges of £89,530 and the savings reductions of £95,000.
63. The decrease of £227,010 in 2010-11 compared with the original estimate in 2009-10 was largely as a result of a reduction in capital charges of £81,130 and the net savings and other reductions of £209,600 – obviously there will be an element of inflation

added to the 2009-10 estimate. The changes in direct costs are set out on the table on **Appendix A**.

64. With regard to direct costs only, it can be seen from the comparison of estimates with the savings target on **Appendix B**, that the estimated direct costs in the 2010-11 Estimates is outside the required target by £91,530; the Revised 2009-10 Estimate is within the adjusted original estimate (accounting for the Awarded Watercourse movement).
65. The overriding reasons for this are in relation to the trade and cardboard collection service (see paragraphs 22 – 32); the re-evaluation of recycling credits generated through the existing bring sites (paragraph 40); the change in the pollution emission control licence regulations (see paragraph 49 – 50) and the downturn in licensing income due to the current economic climate all of which to a great extent are not within the Authority's control.
66. With regard to the trade refuse service, future income levels can not be guaranteed and future budgets have been set in conjunction with current customer numbers with a relatively small uplift allowing for growth in the customer base. It's also assumed that the increase in the fees and charges of approximately 10% incorporating the increase in the tipping fee will have no effect on the number of customers currently serviced.
67. On the positive side, with so many new recycling initiatives being implemented in 2010-11, it is hoped that service re-configuration will also provide further opportunities for the Council to provide additional commercial waste recycling services for its business customers in the District. However this is an unknown that cannot be budgeted for.

Recommendations

68. The Portfolio Holder is requested to endorse the Revenue Estimates and Capital Programme shown at **Appendices A** and **C** and recommend them for consideration by the Cabinet.
69. The effect of recommending these Estimates for consideration by the Cabinet will be requesting that the Medium Term Financial Strategy be adjusted to take account of the £91,500 that lies outside the targeted budget.

Background Papers: the following background papers were used in the preparation of this report: Estimate files within Accountancy Services.

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