

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Environmental Health Portfolio Holder
Meeting

24 January 2011

AUTHOR/S: Executive Director, Corporate Services

REVENUE AND CAPITAL ESTIMATES FOR THE ENVIRONMENTAL HEALTH PORTFOLIO

Purpose

1. The purpose of this report is to enable the Environmental Health Portfolio Holder to consider the Revenue Estimates for 2011/12 and the Capital Programme up to 2015/16, relating to services within the Environmental Health Portfolio.
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 Cabinet and confirmed by Council in February 2011.

Recommendations

3. That the Portfolio Holder endorses the Revenue Estimates for 2011/12 and the Capital Programme up to 2015/16, relating to services within the Environmental Health Portfolio, and recommends them for consideration by Cabinet.

Background

4. The estimates for the Leader's Portfolio form part of the overall considerations for the Council's annual budget setting exercise and include the following services:
 - Awarded Watercourses
 - Environmental Health General
 - Footway Lighting
 - Food Safety
 - Pest Control
 - Refuse Collection and Street Cleansing
 - Waste Recycling
 - Environmental Protection
 - Emergency Planning
 - Action on Dogs
 - Licensing Act 2003 & Gambling Act 2005
 - Taxi Licensing
 - Miscellaneous Environmental Health Services
 - Illegal Encampments
5. The Finance and Staffing Portfolio Holder approved the Staffing and Central Overhead Accounts Estimates on 14 December 2010. The recharges approved at that meeting are recharged to all services, as appropriate, termed "Central, Departmental and Support Services" in the detailed estimates attached - 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.

6. 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 3 February 2011, consideration by Cabinet on 10 February and finally presentation to the Council on 24 February for confirmation of the estimates and levels of council tax and rents.
7. The summary Revenue Estimates are set out in **Appendix A**, while the Capital Programme is shown at **Appendix C**.
8. Provisions for inflation have been applied to individual estimates 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.
9. Where applicable, the estimates of each portfolio take account of any rollover of budget from the previous year and virement made during the year; they also incorporate expenditure approvals by Cabinet and Council up to November 2010.
10. All the estimates exclude the small number of "Precautionary Items" that are listed at the back of the current estimate book. These are specific, exceptional items of expenditure, which 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 Cabinet on 10 February 2011.

Considerations

REVENUE ESTIMATES: REVISED 2010/11 AND ESTIMATES 2011/12

11. The Revenue Estimates for this portfolio are shown at **Appendix A**. The total estimates have been analysed between direct costs, recharges and capital expenditure 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, capital charges are notional charges that do not affect the overall expenditure of the Council, and the Staffing and Central Overhead Accounts Estimates determine the recharges across the Council services. Compared with the 2010/11 original estimates, the net direct costs reduced by £102,870 in the revised estimates and reduced by £386,020 in the 2011/12 estimates. The decrease, most of which has already been built into the medium term financial strategy (MTFS) is principally due to savings within the new dry recyclable (blue bin) collection service.
12. **Appendix B** shows a net direct cost comparison for 2011/12, between the expected target expenditure and the new estimates that have been compiled for this meeting; taking the total direct costs in the 2010/11 original estimates and adjusting for any approved additional expenditure and inflation approved within the target. The result is that the 2011/12 estimate is showing a small saving of £6,000 over the targeted expenditure. In 2010/11 the budget has been revised down by c. £103,000.
13. Comments where relevant on the individual service headings are given in the following paragraphs with focus heavily drawn to the refuse and recycling service that has undergone a particularly sustained transition during 2010/11 which will continue into 2011/12. All comparisons therein are made with the 2010/11 original estimates. All the 2011/12 estimates include an element of inflation, where necessary. A general overview of the recharges is given in paragraph 42.

14. **Awarded Watercourses**

A budget of £15,000 is in place for consultants in the 2010/11 revised budget to cover the completion of the flood risk assessment study at Colvill's Drain. The study has been completed, but a small number of issues have been raised and following confirmation of these, the report into the findings will be published.

15. This study into Colvill's Drain was originally included in the 2009/10 budget, with £9,000 rollover approved for inclusion within this year's estimate. Because of the reduction in internal contractor charges this year of £17,000, it has not been necessary to apply this rollover.

16. **Environmental Health General**

The 2010/11 estimates include a £35,000 balancing figure of one-off savings, which were unidentified. This arose from last year's exercise to save the £304,000 target for this Portfolio. The reduction in the direct expenditure (paragraph 12) reflects that this saving has been accomplished and as it's non-recurring drops out from the budget for 2011/12.

17. An estimate of £60,000 has been included in 2011/12 for a Private Sector House Condition Survey. It relates to the employment of consultants to undertake a survey that should improve decisions and strategies. It was originally earmarked in the MTFS but was then taken out as a saving. The recent Audit Commission inspection highlighted the need for such a survey.

18. **Waste Management Policy**

The main movement in the strategic budget for Waste Management is the inclusion of a £25,000 consultancy budget to undertake an impact assessment on the waste collection services as a result of developer proposals within the District. Initially it was proposed that these costs would be met from monies allocated within the MTFS for spending pressures due to population growth. It is now proposed to meet these costs from existing budget following the identification of additional savings.

19. **Waste Collection Services**

The introduction of the blue bin collection service for dry recyclables has led to a significant transition during 2010/11, with the contract being brought back in-house to work alongside the residual black and green bin collection service with effect from October 2010.

20. The budget approved in the original 2010/11 estimates and subsequently in the MTFS was based on a number of uncertainties surrounding the tonnages of material collected, the cost of processing this material and the market price for paper which when collected is sold on to the processing plant.

21. Following a robust tendering and procurement process, the contract for processing the raw material collected in the blue bin was awarded to Donarbon. The terms of the contract were more advantageous than we had budgeted for, in particular the income received as a price per tonne for paper, which has been fixed over the length of the contract irrespective of volatility in the market value. These terms along with a re-evaluation of the estimated tonnages collected has allowed the Authority to achieve predicted savings of c. £144,000 in 2010/11 and £175,000 in 2011/12 over and above

that included within the MTFs, through contract procurement alone. Other savings have also been secured following the staff transfer, under TUPE, from Veolia.

22. However, the bulk density of the material collected was not identified when the scheme was trialled at the outset of the initial project development process. The bulky nature of the volume of cardboard and plastic collected, rather than the number of tonnages collected, has led to the vehicles having to tip their loads more frequently that manifests itself in longer working days, higher overtime and vehicle running costs. This overtime is unsustainable at the current level and so the proposal is to introduce an additional collection round with effect from 1st April 2011, at a cost of £130,000 payable from savings already identified.
23. The underlying saving written into the MTFs in 2011/12 associated with the blue bin scheme is adjusted at £347,000. Predominantly through procurement measures and staff transfer conditions, it can be shown that this saving has grown to £477,000, which incorporates the cost of an additional collection round. This means that an additional saving of £130,000 has been identified outside of what's underwritten in the strategy. This £130,000 is being utilised on the private sector house condition survey and waste management consultancy, leaving £45,000 to alleviate spending pressures elsewhere.
24. Much of these spending pressures centre on the disproportionate rise of fuel costs over what's provided in the MTFs. Annual inflation is included in the strategy at the Government's target of 2.5% on non-pay. Over the last twelve months, inflation on fuel costs has risen by over 19%. This has led to an increase in the fuel budget in 2010/11 of £23,000 over that originally budgeted and an additional increase of £25,000 over that in 2011/12.
25. The other budget pressure on the refuse service is related to bin delivery charges to new properties. The slow down in the economy and consequently the housing market over the last two years has led to reduced income streams. A budget of £50,000 is annually targeted but this has had to be revised down to £34,000 in 2010/11 and £43,000 in 2011/12 this is based on development figures as at November 2010 of 724 additional properties next year.
26. The flipside to this is that the original inclusion of £40,000 to cover round expansion in 2010/11 as a result of property development has been revisited. This on-going sum has been replaced by a revised figure of £20,000 to cover round expansion in 2011/12. A further £45,000 per year has been earmarked in the MTFs for 2012/13 onwards, but will be continually monitored and revised as necessary.
27. A proposal is being tabled to take advantage of the new co-mingled dry recyclable arrangements and introduce these to the Authority's commercial trade customers. The urgency to develop this is further driven by the increase of over 30% in the gate fee for waste going to landfill. Based on current tonnages of commercial waste collected, this would lead to an increase in the disposal budget of £40,000 a charge that must be passed on to customers. Passing this on would require a fees and charges uplift of 10.75%, which is reflected in the schedule that goes as a separate item on this agenda.
28. It is recognised that this level of increase would mean that custom would be lost to competition, but by introducing recycling, a discount on this fee could be offered, with the aim of retaining and growing the customer base and save a net £70 per tonne on disposal costs. A more detailed report will go before Senior Management Team in the

near future with the aim to introduce the co-mingled collection service from 1st April 2011.

29. The estimates have been drawn up on the assumptions that are made within the forthcoming trade waste plan and are based on a 40% take-up of the new service. This enables the Environmental Services Manager to operate the commercial collection service in accordance with current trading conditions but a shortfall in net trade income is still recognised in comparison with what is under-pinned in the MTF5.

30 **Recycling Banks**

A separate item on a new recycling bank policy is included on this meetings agenda. The introduction of the blue bin collection service has led to reduced tonnages going through the recycling banks, making the contractor charges for emptying these banks more expensive. It is proposed that with effect from 1st April 2011, the contracts with the current service providers cease, saving approximately £15,800 from this budget.

- 31 Also from this date, the current in-house contractor (DSO) will take over the operations of emptying the paper banks. This will ensure that the income generated from selling the paper to the processing plant will be retained by this Authority as well as retaining a small element of the recycling credit. The total income that will hopefully be received will be £25,000. This level of income is lower than the £42,000 received in 2009/10 from recycling credits, which is a reflection on the amount of tonnages diverted to the blue bin.

- 32 The initial plan for transferring the paper collection contract in-house was to begin in October, however the decision was deferred to allow analysis to be done on the impact of the blue bin scheme.

33 **Street Cleansing**

This service supports and helps sustain the operational function of the refuse collection service by transferring operatives between the two services during times of high staff absence levels either due to sickness, turnover or holiday commitments. This is particularly highlighted this year as vacant posts were left unfilled pending the outcome of the TUPE transfer in October 2010 with the introduction of the new blue bin service.

- 34 This redeployment of internal service staff has resulted in savings within street cleansing which was used to offset the shortfall of income within Street Cleansing as a result of the Government withdrawing £35,000 of funds available to the County's Local Strategic Partnership (LSP).

35 **Environmental Protection**

The on going monitoring, analysing and reporting on environmental health issues surrounding the former Bayer Cropscience site at Hauxton has been a considerable pull on staff resources this year. Because the majority of staff time has been devoted to this project, investigations into other potential contaminated land sites have been delayed. In recognition of this backlog, a £10,000 approval was granted for the virement of financial resources from the vacant Environmental Health Manager posts to employ specialist organisations to continue the monitoring and reporting process at Hauxton and hence free up staff resources to investigate other potential contaminated sites.

36 Although the Hauxton site is a large-scale clean-up project for which this Authority has no financial liability, Members are reminded that there is £82,000 within the Precautionary Items budget for remediation of contaminated land that the Authority is responsible for. Members are also made aware of the adoption of a cost recovery policy that needs to be in place to allow the Council to apply for Central Government funding to pay for clean up works whereby enforcing cost recovery would cause financial hardship to the public.

37 **Emergency Planning**

A £20,000 saving has been identified within 2011/12 by proposing that the annual contribution to the Cambridgeshire County Council's civil contingency unit be stopped. This Authority along with others makes this contribution to support the funding of posts at the County that are dedicated to ensure that legislation is adhered to and policies are in place so that if incidents do occur within the County which calls for emergency action, then there's a coordinated approach to tackle them.

38 As part of the savings agenda, it's felt that this coordinated approach could be undertaken in-house and so by keeping a £5,000 budget in the estimates to allow for training provisions etc. the £20,000 can be declared as a saving.

39 The Precautionary Items budget of £50,000 remains in place to cover the costs of acting in the case of a civil emergency e.g. cases of District flooding etc.

40 It has been generally accepted that a 2.5% inflationary increase should be applied to all fees and charges relating to discretionary services with the exception of trade waste charges mentioned above. However there are large amounts of income within the Portfolio for example the licensing of alcohol premises that are non-discretionary where Government sets the fees. The incomes from these fees have remained static.

41 Recharges from Staffing and Overhead Accounts – Central, Departmental and Support Services (see estimates report to the Finance and Staffing Portfolio Holder 14 December 2010):

- a. In general, the level of recharges depends on the cost of the service and support officers' time, ICT, Contact Centre, administrative buildings (both the Cambourne Offices and Waterbeach depot), Central Expenses and Central Support Services. Over the whole Council, these costs to be recharged were £17.420m in the 2010/11 original estimates, £17.308m in the 2010/11 revised estimates and £17,063m in the 2011/12 estimates. These equate to decreases of £0.112m (-0.6%) in 2010/11 and £0.357m (2.0%) in 2011/12, when compared with the 2010/11 original estimate. The main reasons for the 2010/11 decrease were lower capital charges, which reflects assets that have been fully depreciated and adjustments to the expected useful life of the remaining assets, and reduced costs from procurement projects and contract negotiations, partly offset by provision to meet Asset Management Plan requirements for the Cambourne Office. In 2011/12, these are augmented by reduced staffing costs resulting from the various restructuring exercises that have taken place, partly offset by increased business rates for the Cambourne Office.
- b. 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.
- c. The total estimated recharges from Staffing and Central Overhead Accounts to this portfolio decreased by £124,560 (5.2%) from £2,389,610 in the 2010/11

original estimates to £2,265,050 in the 2010/11 revised estimates. The 2011/12 estimates of £2,509,840 are £120,230 (5%) lower than the 2010/11 original estimate.

CAPITAL ESTIMATES: REVISED 2010/11 AND ESTIMATES 2011/12 TO 2015/16

- 42 The overall capital programme for the Council will be subject to further consideration by Cabinet and Council, due to the current shortfall of capital funding. However, the capital programme for this portfolio is attached at **Appendix C**.
- 43 The main variance lies in the saving of £72,820 this year from the acquisition and delivery of the wheeled bins in readiness for the new service. The full cost of £1.435m is funded by a £0.5m contribution from the County Council; with the remaining £0.935m being funded from General Fund reserves and repaid over fourteen years.
- 44 Members are reminded that all capital expenditure in relation to the Awarded Watercourses is met from funds secured from property developers over a number of years through S106 agreements. The estimated balance of retained funds deposited within this earmarked reserve at 31st March 2011 is £421,000.

Implications

- 45 Financial:
- a. The Revenue 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 Programme estimates for this portfolio will be included in the Council's Capital Programme.

46	Financial	The financial implications resulting from this report are set out in paragraphs 11 to 42 above.
	Legal	There are no direct legal implications resulting from this report. The estimates show the financial effect of decisions that have already been made.
	Staffing	There are no additional staffing implications resulting from this report. The estimates reflect staffing decisions previously made.
	Risk Management	These estimates need to be endorsed so that they can be included in the General Fund Summary to be presented to Cabinet and confirmed by Council in February 2011.
	Equality and Diversity	There are no direct equality and diversity implications resulting from this report. Equality and diversity issues will have been considered in the decisions which these estimates reflect.
	Equality Impact Assessment completed	No As above.
	Climate Change	There are no direct climate change implications resulting from this report. Climate change issues will have been considered in the decisions which these estimates reflect.

Consultations

- 47 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

- 48 To determine detailed Environmental Health 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.

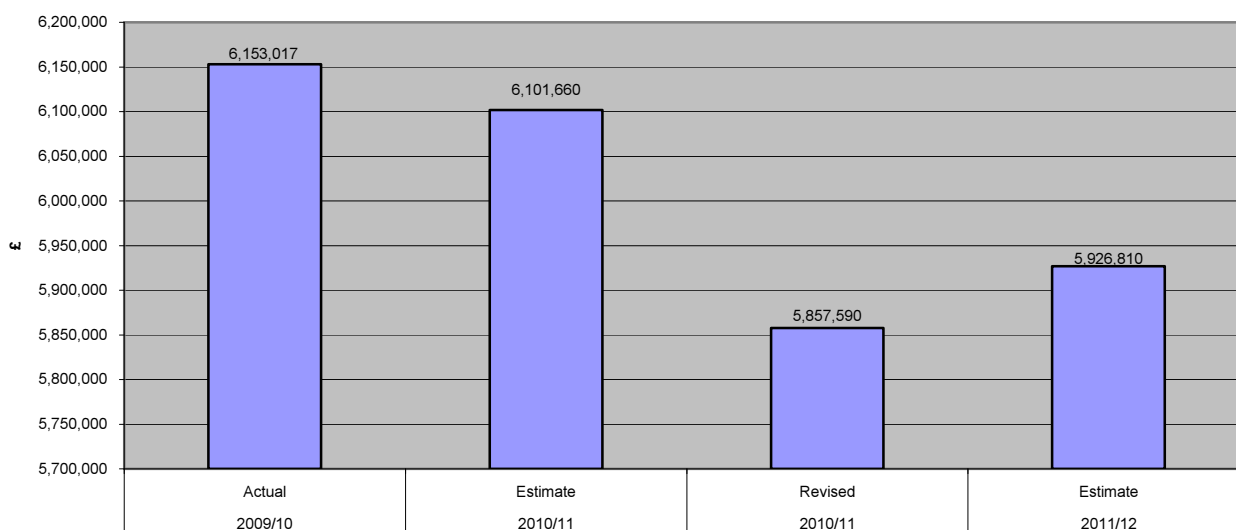
Conclusions / Summary

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

Year	Amount £	Change £	Change %
2009/10 Actual	6,153,017		
2010/11 Estimate	6,101,660	- 51,357	- 0.8%
2010/11 Revised	5,857,590	- 244,070	- 4.0%
2010/11 Estimate	5,926,810	+ 69,220	+ 1.2%

These comparisons are shown diagrammatically below:

ENVIRONMENTAL SERVICES PORTFOLIO



- 50 The decrease in expenditure between the 2009/10 actual expenditure and the 2010/11 original estimate of £51,357 was largely as a result of a reduction in the notional capital charges of £68,855, with cumulative direct expenditure and staffing and central overheads increasing by £14,502.
- 51 The decrease of £244,070, in the 2010/11 revised estimate compared with the 2010/11 original estimate was due to reductions in recharges of £124,560, mainly due to the vacant managerial posts of Chief Environmental Health Officer for the full year and the Principal Environmental Health Officer for half the year. Direct Expenditure has also reduced by £102,870 mainly due to the procurement process involved in securing the MRF contract for the blue bin service as mentioned above.
52. The decrease of £174,850 in the 2011/12 estimate compared with the 2010/11 original estimate was largely as a result of an overall decrease in direct expenditure of £335,940 principally generated from savings within the dry recyclable collection service. Most of this saving has already been identified within the MTFs. This decrease in direct expenditure is partly offset by an increase in recharges from staffing and overhead accounts of £120,230. The changes in direct costs are set out in the table in **Appendix B**.
53. The revised 2010/11 estimates are showing reduced direct expenditure of £102,870, which will be carried forward as an increase to this Authority's General Fund reserves.
54. With regard to direct costs only, it can be seen from the comparison of estimates with the savings target in **Appendix B** that the estimated direct costs in the 2011/12 estimates is within the required target by £6,000 this is after incorporating £130,000 for an additional blue bin collection round, £60,000 for the private sector house condition survey and £25,000 consultancy fees for waste strategy in connection with population growth.
- 55 It's important at this stage to mention that large caveats should be placed on assumptions that have been used in the compilation of some of the figures recommended in this report in connection with the blue bin collection service and the new trade waste business plan.
- 56 In relation to the tonnages, in particular the paper collected through the blue bin, a snap shot has been taken from data obtained in the first three months of operation. Although this is the most up to date information available, it cannot be guaranteed to reflect the true position over a twelve-month period.
- 57 There are uncertainties surrounding the trade refuse service, but because of the 30% hike in disposal charges in 2011/12, standing still is not a viable option. A 40% conversion rate of existing customers to a co-mingled service has been used in the prospective business plan and will form the benchmark for budget monitoring purposes next year.

Background Papers: the following background papers were used in the preparation of this report:

Estimates files within Accountancy Services

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