

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Environmental Health Portfolio Holder  
Meeting

17 January 2012

**AUTHOR/S:** Executive Director, Corporate Services

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### 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 2012/13 and the Capital Programme up to 2016/17, 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 approved by Council in February 2012.

#### Recommendations

3. That the Portfolio Holder endorses the Revenue Estimates for 2012/13 and the Capital Programme up to 2016/17, relating to services within the Environmental Health Portfolio, and that the proposals for capital expenditure at Appendix D are confirmed for inclusion in the Capital Programme.

#### Reasons for Recommendations

4. The draft estimates for all the services of the Council will be presented to portfolio holders in January 2012, for consideration and endorsement. These estimates will then be summarised in a report for examination by the Scrutiny and Overview Committee on 6 February 2012, consideration by Cabinet on 9 February and finally presentation to the Council on 23 February for approval of the estimates and levels of council tax and rents.

#### Background

5. The estimates for the Environmental Health Portfolio form part of the overall considerations for the Council's annual budget setting exercise and include the following services:

- Awarded Watercourses
- Public Health
- Footway Lighting
- Food Safety
- Pest Control
- Refuse Collection and Recycling
- Street Cleansing
- Environmental Protection
- Emergency Planning
- Action on Dogs
- Licensing

6. The Finance and Staffing Portfolio Holder approved the Staffing and Central Overhead Accounts Estimates on 20 December 2011. The recharges approved at that meeting are recharged to all services, as appropriate, termed "Staffing and Overhead Accounts" in **Appendix A**. It should be noted that, as all the recharges have already been approved, individual portfolio holders cannot amend them.
7. These estimates incorporate all decisions made by the Cabinet and Council up to and including the November 2011 meetings. Further changes approved could be added to these estimates subsequently, but any in respect of 2012/13 could remain unallocated to services until the revised estimates are completed in December 2012.
8. 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 9 February 2012.

## **Considerations**

### ***Pay Awards***

9. No provision for an increased pay award was made in the 2011/12 estimates. In line with the Medium Term Financial Strategy (MTFS) approved by Cabinet on 10 November 2011, provision has been included in the 2012/13 estimates for a pay award of 2.5%.
10. Provision has been made in the 2012/13 estimates for an increase of 1.0% to the employer's pension contribution rate (i.e. to 24.5%). Both of these above increases will impact on service costs to the Awarded Watercourse, Refuse and Recycling Collection and Street Cleansing services, all of which are undertaken internally.

### ***Inflation***

11. No automatic inflation allowance has been applied to the 2012/13 estimates – increases in individual estimates have been applied only in cases where price rises can be justified. (The MTFS assumed an inflation rate of 2.5% overall).

## ***REVENUE ESTIMATES: REVISED 2011/12 AND ESTIMATES 2012/13***

12. 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.
13. Compared with the 2011/12 original estimates, the net direct costs reduced by £171,410 in the revised estimates and decreased by £29,790 in the 2012/13 estimates. The saving, most of which has already been built into the medium term financial strategy (MTFS) will have taken account of inflation on pay (overall 3.5% see above) and on fuel; and also an uplift in the depot's operational staffing budget as a result of the job evaluation exercise.

14. **Appendix B** shows a net direct cost comparison for 2012/13, between the expected target expenditure and the new estimates that have been compiled for this meeting; taking the total direct costs in the 2011/12 original estimates and adjusting for any approved additional expenditure and inflation approved within the target. The result is that the 2012/13 estimate is showing expenditure of £24,000 over that targeted in the MTFS.
15. Comments where relevant on the individual service headings are given in the following paragraphs. All comparisons therein are made with the 2011/12 original estimates. All the 2012/13 estimates include an element of inflation, where necessary. A general overview of the recharges is given in paragraph 38.

### ***Awarded Watercourses***

16. A decision was taken on the 8<sup>th</sup> August 2011 to earmark £90,000 towards the construction of a flood defence attached to Covell's Drain to protect the village of Fen Drayton, - work to begin in 2012/13. It was hoped that the combined Council/Environmental Agency scheme would attract Grant-in Aid funding from DEFRA to alleviate a large proportion of these costs.
17. However, it has recently been announced by the Government, that the application for grant funding has been unsuccessful and as such, the full £90,000 allocation has been included in the 2012/13 costs of the internal contract with a corresponding contribution being made from reserves. It is hoped that this is a top-end estimate and that by using the Authority's own experienced staff and procurement practices, significant savings can be placed against this.

### ***Environmental Health General***

18. This Authority's bid for funds to implement large-scale savings attracted £307,000 of Government funding through Improvement East. Part of this funding was a pledge of £24,000 towards an inspection and enforcement project to enable an investigation into a more centralised approach and potential shared working opportunities. The £24,000 will be invested in employing consultants to help with the operational process review.
19. Current forecasts are suggesting that this £24,000 investment will secure annual recurring savings of at least £50,000 across the Authority's inspection and enforcement activities. However, it's not possible to identify which services will be impacted by these savings, so the £50,000 will be unallocated as a saving on the General Fund summary.
20. An estimate of £60,000 was included in 2011/12 for a Private Sector House Condition Survey and relates to the employment of consultants to undertake the survey that should improve decisions and strategies. Proactive procurement has secured a significant saving of c.£27,000 against the £60,000 estimate.
21. Good practice states that a Private Sector House Condition Survey should be undertaken every five years. To prevent the Authority from suffering a large-hit in a single year for such work, it has been decided to inject £15,000 each year in the MTFS with the intention to place this in an earmarked reserve which would accumulate funds for such a project when the current strategy timeline has expired.

### ***Footway Lighting***

22. A decision has been taken on 15<sup>th</sup> November 2011 to transfer the responsibility of Footway Lighting maintenance back to the District Council from one previously undertaken by the Parish Councils in recent years. This arrangement is back-dated to 1<sup>st</sup> July 2011.
23. The cost of doing so is estimated to be £39,500 in a full year, with a one-off £2,500 included in 2012/13 for service level advice which will be provided by Cambridgeshire County Council.

### ***Waste Management Policy***

24. The main movement in the strategic budget for Waste Management is in conjunction with the £25,000 consultancy budget to undertake an impact assessment on the waste collection services as a result of developer proposals within the District. This is a non-recurring item of expenditure and as such drops-out of the budget for 2012/13.

### ***Refuse Collection and Recycling Services***

25. The introduction of the blue bin collection service for dry recyclables has led to a significant transition in service delivery. Due to the new service still being in its infancy, the budget approved in the original 2011/12 estimates and subsequently in the MTFS last year, was based on a number of uncertainties surrounding the tonnages of material collected and the cost of processing this material taking into account the volatility of market prices for recycled material.
26. Current records show that paper tonnages collected are over 13% higher than was budgeted for across the first eight months of the year. Annually, this will generate approximately £60,000 more income when the paper is sold on to our processing contractor than was originally budgeted for. With the new collection service now in operation for over a year, a trend pattern has been established and it is envisaged that the current level of tonnages collected will continue into 2012/13 with the caveat placed on the unknown effect that readership habits will have i.e. the general move away from paper reading to electronic downloaded issues.
27. Overall increased tonnages in collected recycled material manifests itself into higher levels in rebate received from Cambridgeshire County Council through the recycling credits. It is envisaged that approximately £15,000 more income will be received in 2012/13 from credits than was predicted in the MTFS.
28. Further savings have been accrued from the processing costs of the raw material going through the MRF. The price we're charged per tonne is reviewed half-yearly and the current price charged suggests a saving of £37,000 in 2011/12 and £45,000 in 2012/13. As stated, the price review is done every six months, so it cannot be guaranteed that the price we currently pay will be reflected in future periods with many outside factors such as market price of raw material and contamination levels influencing the price.
29. There are inevitably spending pressures elsewhere, predominantly due to inflationary pressures placed on fuel prices and the landfill tax imposed on commercial waste.
30. There is a disproportionate rise in fuel costs over what's underwritten 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 8%. This has led to an increase in the fuel budget in 2011/12 of £25,000 over that originally budgeted and an additional increase of £31,000 over that in 2012/13.

31. In order to drive-down the high cost of disposing commercial waste through landfill, a new co-mingled dry recyclable trade waste plan was drawn up and a budget was set for 2011/12 on the assumption that 40% of customers would take-up the new service and hence save on these disposal costs.
32. Hindsight has shown that this 40% target was over-ambitious, with the actual take-up being around the 15% mark. Although this has not impacted too heavily on our income levels - the landfill costs having to be ultimately met by the customer through the fees and charges, it has impacted on the budget for disposing the waste increasing by £39,000 this year and £68,000 next year, resulting in the "profit" margins for the trade service being squeezed.
33. A continued drive to convert the existing client base and encourage new customers to use the recycling service will be undertaken throughout 2012/13 with the aim of increasing our recycling rate and improve the "profit" margin although this should not be seen in isolation of our overall need to grow the entire business profile.
34. The 2012/13 savings listed in paragraphs 26 - 28 amount to £120,000 and have already been built into the latest MTFs along with other identified on-going savings that have been used to help offset the above spending pressures. Set against this is a recurring sum of £47,000 which has been injected into the service to cover round expansion due to growth and property development in the local region.

#### ***Taxi Licensing***

35. The levels of income on this service have risen by over 20% in the first nine months of 2011/12 compared with the same period in 2010/11. It's felt that the current stresses placed on personal finances due to the economic downturn has a large part to play in this with people turning to taxi driving as a means of generating income.
36. The Authority has a duty to set a fair and reasonable fee in conjunction with the costs it incurs to operate the licensing service, so it cannot be seen as income generating in a commercial sense but one where income should equate to costs. As such the intention is that the fees and charges set for the various aspects of licensing in 2012/13 will offset the total expenditure on the service which has risen due to volume of applicants.

#### ***Fees and Charges***

37. 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 whose fees will have to increase in-line with the landfill tax uplift as 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.

#### ***38. Recharges from Staffing and Overhead Accounts***

- a. In general, the level of recharges depends on the cost of the service and support officers' time spent on ICT, Contact Centre, administrative buildings (both the Cambourne Offices and Waterbeach depot), Central Expenses and Central Support Services. Across General Fund services, these costs to be recharged were £14.018m in the 2011/12 original estimates, £13.999m in the 2011/12 revised estimates and £14.315m in the 2012/13 estimates. These

equate to a decrease of £0.019m in 2011/12 and a growth of £0.297m in 2012/13 when compared with the 2011/12 original estimate.

- b. The costs being recharged to each portfolio 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. Members should be aware that factors outside this Portfolio's control will influence how overheads are allocated. An example of this is the decision made to outsource the response maintenance and repairs contract. Previously, this was undertaken internally by the Authority's DLO which operated out of the Waterbeach depot alongside the DSO. The decision to award this contract to an external contractor will result in the removal of the DLO with the previously shared costs of the depot now being wholly absorbed within the refuse, recycling and street cleansing services that report to this Portfolio. It is estimated that a further £50,000 of costs will be allocated to Environmental Services in 2012/13 than was originally estimated in 2011/12 due to this action.

**CAPITAL ESTIMATES: REVISED 2011/12 AND ESTIMATES 2012/13 TO 2016/17**

- 39. The capital programme for this portfolio is attached at **Appendix C**. The capital expenditure relevant to these accounts relates to Awarded Watercourses and Street Cleansing. A relevant capital proposal form is attached in respect of the Street Cleansing plant proposed to be funded through capital receipts.
- 40. The main alterations to the programme surround the deferral in purchasing new plant and equipment connected with the Awarded Watercourses to 2012/13 (the original intention was to replace it in 2011/12). 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 31<sup>st</sup> March 2011 is £319,334

**Implications**

- 41. 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.

Financial	The financial implications resulting from this report are set out in paragraphs 12 to 40 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 approved so that they can be included in the General Fund Summary to be presented to Cabinet and confirmed by Council in February 2012.

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

42. 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 estimates figures.

### Effect on Strategic Aims

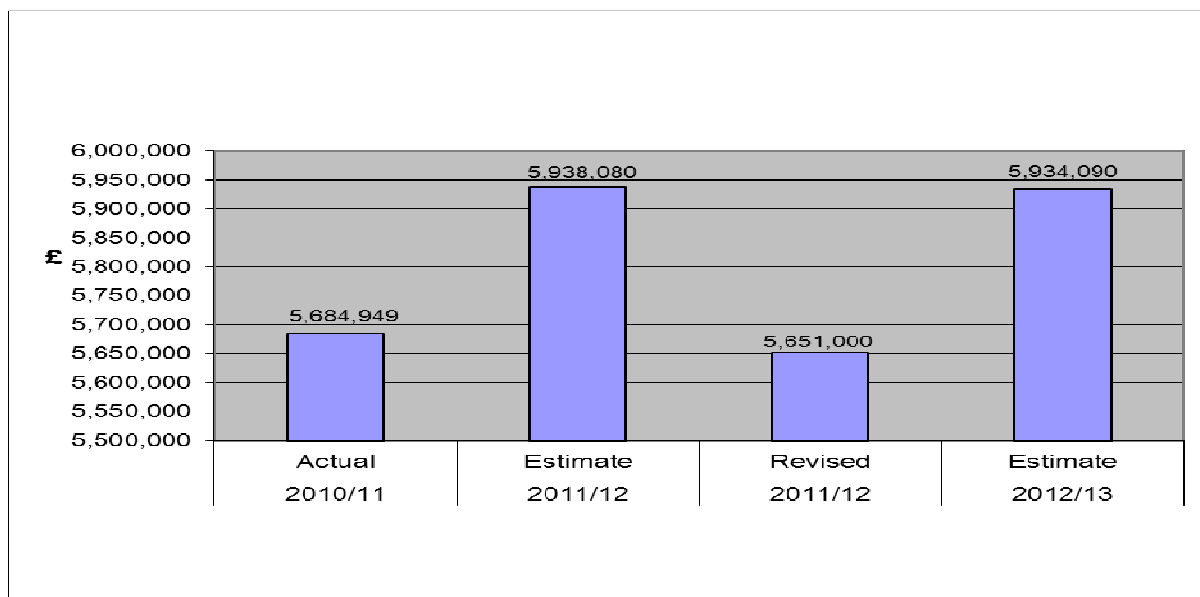
43. To determine detailed Environmental Health Portfolio budgets to provide the resources for the Council to continue its services to achieve its strategic aims as far as possible within the current financial constraints.

### Conclusions / Summary

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

Year	Amount £	Change £	Change %
2010/11 Actual	5,684,949		
2011/12 Estimate	5,938,080	+ 253,131	+ 4.5%
2011/12 Revised	5,651,000	- 287,080	- 5.0%
		+ 283,090	+ 5.0%
2012/13 Estimate	5,934,090		

These comparisons are shown diagrammatically over:



45. The decrease of £287,080, in the 2010/11 revised estimate compared with the 2010/11 original estimate was due in large part to savings within refuse and recycling of c.£175,000. A reduction of £94,500 is shown in the recharges from staffing and overhead accounts. It's proposed that the £287,080 will be returned to General Fund Reserve balances for future investment.
46. The decrease of £3,990 in the 2012/13 estimate compared with the 2011/12 original estimate includes an increase of c. £36,000 in recharged costs from staffing and overhead accounts. Direct expenditure in 2012/13 has fallen by c. £30,000 and will have taken account of inflationary pressures both on pay and non-pay where applicable, in particular on fuel prices and landfill tax increases. Injections in the base budget associated with rising costs as a direct result of South Cambridgeshire being a growth area will have been included. Set against these will be savings already identified within the latest approved MTFs. One other area which needs to be considered are the provisional outcomes from the Job Evaluation exercise which have been taken into account in preparing the DSO operatives salary estimates. It should be noted that these are still subject to final confirmation and therefore possible change but is currently estimated to add £53,000 to the base Portfolio budget. The changes in direct costs are set out in the table in **Appendix B**.
47. With regard to direct costs only, it can be seen from the comparison of estimates with the target in **Appendix B** that the estimated direct costs in the 2012/13 estimates are outside the required target by £24,000. This indicates that further savings will need to be identified in 2012/13 and in future years to balance the Medium Term Financial Strategy. Managers are confident that experience over recent years has shown that through proactive budget management, savings can be found in-year that will meet this £24,000, which is below 1% of the total direct expenditure budget for this Portfolio.

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

Estimates files within Accountancy Services  
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