

WIRRAL COUNCIL

CABINET – 10 DECEMBER 2008

REPORT OF THE DIRECTOR OF TECHNICAL SERVICES

BUDGETARY ISSUES - 2008-2009

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to inform Members of the action taken to address shortfalls in the Technical Services budget which were first identified in 2007-2008 and to advise of further variations which have arisen in 2008-2009, exacerbated by the current economic climate. It also puts forward proposals to deal with these variations, together with a strategy to address issues raised in the 2007-2008 Audit Commission Annual Governance Report relating to the capitalisation of highways maintenance and the recording of expenditure on infrastructure assets.

2. BACKGROUND

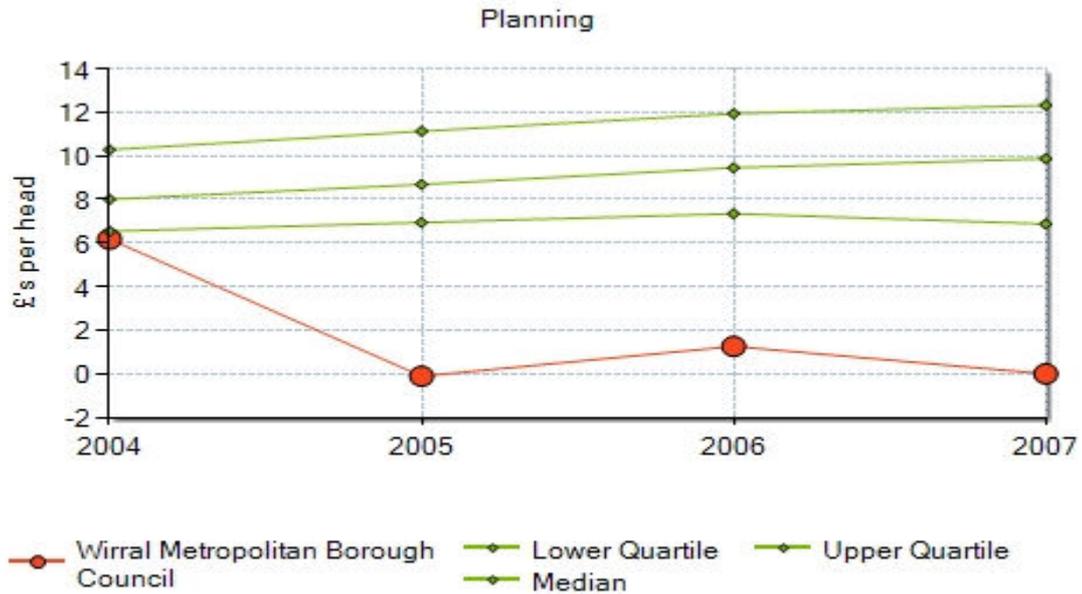
2.1 The business case for the services of Planning, Building Control and Land Charges is that they are statutory functions, which the Council must provide. Fees may be levied for these services to enable operating costs to be recovered. Due to the current severe economic downturn effecting the provision of these land and property functions, the costs are significantly exceeding the income. The provision of enforcement and conservation services is discretionary but good practice dictates that the Council maintains its activity in these areas.

	Budget 2007/2008	Actual 2007/2008	Variance 2007/2008	Budget 2008/2009	Actual month 6	Projected 2008/2009	Variance 2008/2009
	£	£	£	£	£	£	£
Building Control Fees	876,700	739,200	-137,500	796,700	313,000	596,700	-200,000
Development Control Fees	1,089,300	1,003,800	-85,500	1,039,300	379,500	919,300	-120,000
Land Charges Fees	464,600	334,900	-129,700	470,100	111,500	270,100	-200,000

2.2 Members will recall that during 2007-2008 I identified shortfalls within the operational areas of car parking and planning & development control totalling £370,000. I have now re-engineered/re-aligned my budget and adopted a package of efficiency measures that has allowed the virement of £330,000 from other operational areas within Technical Services to car parking and planning. This process has allowed the development control and building control fee budgets to be reduced by £50,000 and £80,000 respectively, with a managed contribution from the highways maintenance budgets correcting the car parking income shortfall of £200,000. Whilst this action has gone some way to addressing the shortfalls identified I am no longer in a position to accommodate any further deficits that may arise without significantly impacting upon service

delivery. The current budget for the Department of Technical Services following this re-engineering is included at Appendix 1.

- 2.3 Members are advised that, even after allowance for the virement, for this current year, land charges income is projected to show a deficit of £200,000 whilst building & development control income is likely to under recover by £200,000 and £120,000 respectively. In addition, the Department is unlikely to receive any further share of Planning Delivery Grant resulting in the budget income line of £209,300 being deleted.
- 2.4 Members will be aware of the current economic downturn, '*the credit crunch*', which is producing the lowest number of new housing starts for 60 years and a 33% reduction in construction orders. Some economists are warning that the housing market has effectively collapsed. These factors are significantly reducing the number of planning and building control applications and land search requests being received by this department. For example, the number of planning applications received so far this year, 2008-2009, is 300 down on the same number received at this point in 2007-2008
- 2.5 The current budget shortfalls are not due to high costs or inefficient service provision. Members should note that this authority's costs in delivering its Building Control and Development Control services, as reported in the latest CIPFA statistics, are low when compared with our peer Metropolitan Authorities in England. Indeed, when comparing the overall costs of providing the building and development control services, together with the cost per head of population and factoring in the comparative workload data, Wirral features at the high end of the uppermost quartiles for all Metropolitan Authorities in terms of economy and efficiency.
- 2.6 Of the Metropolitan Authorities on Merseyside who have reported their latest financial data to CIPFA, Wirral is the most economic and efficient service provider in these fields. The following tables are reproduced from the Audit Commission, Value for Money profile – Use of Resources Assessment report (revised April 2008). The report rates the value for money performance of Wirral's Planning services against the Metropolitan Authority Group Comparator.



The chart indicates the Council's spending, net of planning delivery grant, on Planning Services over the last 4 years. Spending on these services will be driven by the size and complexity of the environment that the Council is responsible for.

Income from planning application fees (set nationally) meet a significant share of costs and as a result, net spending on planning services at Wirral is small.

Planning Delivery Grant (PDG) from CLG was intended to enable Council's to invest in faster and more effective planning services. It was intended to be additional to the revenue resources allocated to planning services by the Council.



The Council has discretion over how it has applied the grant. Typically the majority of the grant is applied to the planning services. This chart depicts PDG as a proportion of the Council's total spending on planning services and indicates that Wirral's spending has been 100% reliant on PDG and fees. PDG has been offset by a reduction in the revenue budget and it must be understood that there will be financial

consequences due to the replacement of PDG with HPDG. This is due to the grant being used to support base expenditure on the service. It has not funded one-off items and as a consequence specific expenditure cannot be reduced easily.

These low costs intensify the current income problems for these business units during the present economic downturn.

- 2.7 Members will recall that over the last two years I have implemented staffing savings within building and development control of £235,500.

3. BUILDING CONTROL

- 3.1 The effects of the current economic downturn, which is significantly reducing new housing starts and general construction orders, has seen the value of building control applications significantly reduce.

- 3.2 In consequence the income shortfall is estimated at £200,000 in 2008-2009.

4. DEVELOPMENT CONTROL

- 4.1 From April 1st 2008, the Government replaced the Planning Delivery Grant (PDG) with a Housing and Planning Delivery Grant (HPDG). Whereas previously over half of PDG was used to incentivise performance in Development Control, HPDG is now exclusively available for Plan Making and Housing Delivery. Consequently, HPDG will support activities within the Departments of Corporate Services and Regeneration, no element of the grant being available to Technical Services.
- 4.2 Although the Government increased national Planning Application fees from 1st of April 2008 to compensate for the changes in HPDG, the current economic downturn has significantly reduced the number of planning applications that will incur the increased fees, thereby reducing Development Control income and resulting in an expected budgetary shortfall of £120,000 in 2008-2009. The current 2008-2009 budget for receipt of Planning Delivery Grant is £209,300 and is now unachievable. By using a one off currently unapplied PDG inherited from the former Department of Planning & Economic Development and previously agreed by Cabinet, I will be able to largely cover the deficit in this financial year.
- 4.3 The shift away from linking award of grant to improvement in development control targets does not imply that this area is no longer a Government priority. In future, if national NI targets for determining Planning Applications are not achieved, HPDG grant to the Authority will be proportionately reduced on a sliding scale.
- 4.4 The reduced planning fee income as a result of the reducing number of applications received, together with the removal of DC income from the

HPDG grant means we can no longer afford to fund activities such as Planning Enforcement and Conservation, which are not subject to any NI targets and do not generate any income for the DC division. Clearly consideration must now be given to funding Enforcement and Conservation activities or, to otherwise, cease delivering these current services.

5. LAND CHARGES

- 5.1 A statutory requirement is placed on all local authorities within England and Wales to generate, maintain and regularly update a Local Land Charges Register and to facilitate local searches of it. Every time a property or piece of land is purchased/leased, a request for a search should be sent to the authority in whose area the property is situated. This is to check any matters affecting the property or land, registered as a Local Land Charge or information held by the Council that a prospective purchaser would like to know.
- 5.2 Members have received reports previously regarding the decline in income and the failure of the service to achieve the income included in the budget estimate, despite continuing to make a contribution to the General Fund, over and above the cost incurred. Members will recall that during 2005-2006 the income budget was facing a potential under recovery of £350,000 that I covered by internal virement from building and development control budgets.
- 5.3 The deteriorating net financial position relating to the Land Charges function over the past few financial years is likely to deteriorate further during 2008-2009 due to the current credit squeeze.
- 5.4 Whilst net income is deteriorating, the service is still budgeted to contribute £250,000 to the General Fund. The estimated actual contribution for 2008-2009 including the identified deficit is potentially £50,000, which demonstrates that whilst income is declining, the service is still viable
- 5.5 The housing market is currently continuing it's downturn, according to the Royal Institution of Chartered Surveyors (RICS) housing survey, published in June 2008. The number of surveyors reporting a decline in house sales, is at it's highest since November 1992, with 49% recording a fall. The upturn in buyer's activity has petered out against a backdrop of a slowing economy. New buyer enquiries have slipped and completed sales are down 29%, which is a reflection of the markets fall in the latter half of 2007.
- 5.6 Buyers are now biding their time as available property has risen by a quarter in the past year. Sellers are adapting their behaviour to account for the fact that boom conditions of past years have come to an end. An economic slowdown is leading to an increased element of caution. Clearly, the decline in housing market activity is a principal factor in the

reduction in the number of Local Land Charge searches being received and consequently the fee income earned.

5.7 Market forces and economic trends are cyclical. We must position ourselves to respond positively to the change in products being purchased from us. Our competitors are exploiting the depressed situation to establish client base and develop market share. We must continue to introduce measures, which will ensure our competitiveness and performance in future buoyant economic conditions.

5.8 PROPOSALS TO REPOSITION THE LAND CHARGES SERVICE

Activity	Unit	Current Charges	Proposed Charges
Standard Search fee		£6:00	£24:50
Requisition of search on one Parcel of land. CON 29		£92:50	£60:00
LLC1 plus CON 29		£98:50	£84:00
Each additional parcel of land Or Property		£11:00	£15:00
Extra Part 2 II enquiries		£6:50	£10:00
Each additional typed enquiry		£9:50	£10:00
Personal Search Certificate		£11:00	£11:00
Part 2 enquiry, Commons Land		£14:00	£14:00
Enquiries of Planning, building Control and pending apps		N/A	£12:50 per question

5.9 Whilst it would appear that some of our existing charges are being reduced, this reflects changes in the products being purchased from us. It is estimated that at 2007-2008 volume, the revised product profile, will realise an increase in income of approximately £50,000, which has been taken into account when projecting the 2008-2009 shortfall of £200,000.

5.10 In addition, to further the attractiveness of our product range, it would be the intention to offer a free refresh of full searches purchased for inclusion within a home information pack, once within six months.

6. HIGHWAYS MAINTENANCE

6.1 The 2007-2008 Audit Commission Annual Governance Report identified that improvements were needed to procedures to comply with the Financial Reporting Standard. These involve the analysis of infrastructure assets with determinable finite lives that should be treated separately and depreciated over their useful economic lives. This then links to the supporting arrangements needed within the Highways Maintenance Division for identifying expenditure that is to be capitalised.

6.2 To comply with the recommendation I am setting procedures in place to categorise capital expenditure in a way which will allow the identification of assets according to their estimated useful life e.g. between construction, structural maintenance, street lighting, traffic management

and road safety as well as ensuring that any capitalised expenditure meets the requirements.

7. PROPOSALS

7.1 Members will be aware that elements of the Highway Maintenance Revenue allocation used to improve and lengthen the life of assets can be treated as capital expenditure. To comply with the Financial Reporting Standard certain criteria have to be met and, based upon existing practices, Cabinet on 16 October agreed to capitalise £1.5 million per year as part of the Projected Budget 2009-11 (Minute 219 refers).

7.2 By reviewing the classification of infrastructure assets, revising the supporting procedures and also reviewing the works programme for 2009-2010 in conjunction with the new Highway and Engineering Services contract commencing on 1st April 2009 there is the potential to increase the amount that can be classed as capital expenditure from 2009-2010. It is proposed that a further £0.5M is capitalised which will result in a revised total capitalisation figure of £2.0M for 2009-2010. This is significantly less than the levels of capitalisation in previous years and this action will generate a £0.5m saving within Technical Services revenue budget.

7.3 Subject to approval of the capitalisation of further Highway Maintenance expenditure, I propose to use this £0.5M saving towards offsetting the budgetary shortfall of £729,300 forecast in Building Control and Development Control for 2009-2010, as outlined at item 8.1 in this report.

7.4 The remaining BC/DC budget shortfall of £229,300 for 2009-2010 is potentially a worst-case scenario, and this will be reviewed early in the new financial year subject to:

- any economic upturn in the construction sector and subsequent improvement in BC and DC application workloads
- further opportunities identified to adjust BC/DC staffing levels through vacancy control, and
- any further re-engineering savings identified from the ongoing implementation of the new BC/DC IT

7.5 During the remainder of 2008-2009 I will seek to contain and reduce the remaining shortfall by identifying any one off savings within my budget and utilising vacancy control measures.

8. FINANCIAL AND STAFFING IMPLICATIONS

8.1 For 2008-2009 I will seek to contain and reduce the shortfall by identifying any one-off savings within my budget and utilising vacancy control measures. For 2009-2010 I propose to use the £0.5M saving

from the increased capitalisation towards offsetting the shortfall and will further review the position early in the new financial year. The budgetary shortfalls may be summarised as follows: -

Area of Operation	2008-2009 £	2009-2010 £
Building Control Fees	200,000	200,000
Development Control Fees	120,000	120,000
Land Charges Income	200,000	200,000
Planning Delivery Grant	-	209,300
Total	520,000	729,300

- 8.2 Staffing levels are, and will be, adjusted to reflect the current workload, income shortfalls and economic downturn due to the 'credit crunch', for example by continuing to exercise vacancy control, when the opportunity arises and by further re engineering of the services to maximise the resources available. These efficiency measures have been successful in delivering the year on year savings already identified in 2.7, including staff reductions in the following areas compared to 2005-06 establishment levels.

Planning Development Control – 6 posts
 Planning Enforcement Team – 3 posts
 Conservation/Tree Preservation – 1 post
 Technical Administrative Support – 2 posts
 Building Control – 3 posts
 Land Charges/Searches – 1 post

9.0 EQUAL OPPORTUNITIES IMPLICATIONS

- 9.1 These operations within Technical Services, fully embrace the requirements of the Council's Equal Opportunities Policy.
- 9.2 Any loss of market share to competitors may limit the employment opportunities of Minority Groups within Technical Services

10. PLANNING IMPLICATIONS

- 10.1 There are no specific planning implications arising other than those that are principally identified within the report.

11. ANTI POVERTY IMPLICATIONS

- 11.1 There are no specific anti poverty implications arising from this report.

12. COMMUNITY SAFETY IMPLICATIONS

- 12.1 The operation of these services contributes to Community Safety by assisting to ensure that all property and development related issues are conducted as far as possible in an equitable and transparent manner.

13. SOCIAL INCLUSION IMPLICATIONS

13.1 There are no social inclusion implications arising from this report.

14. HUMAN RIGHTS IMPLICATIONS

14.1 As a consequence of the Human Rights Act, Local Authorities and other public bodies will need to ensure that their decisions and procedures do not infringe convention rights. In some circumstances Local Authorities and their partners need to act positively, in order to protect those rights.

15. LOCAL AGENDA 21 IMPLICATIONS

15.1 The Government is proposing to introduce a Home Condition Report, (HCR) which all sellers of homes will be required to provide. Included in the HCR, will be an energy performance certificate, which will provide information on the overall energy performance characteristics of the property and ways in which its energy performance can be improved. The introduction of the HCR as part of the property search process will raise consumer awareness of sustainable energy issues in the home.

16. FREEDOM OF INFORMATION ACT

16.1 The Planning and Land Charges Register is a public register, open for inspection by the public, via appointment, during normal office hours.

16.2 The additional contributory information, although not public record, is available using the form agreed for this purpose by the Law Society and in accordance with the Council's publication scheme.

17. LOCAL MEMBER SUPPORT IMPLICATIONS

17.1 All wards throughout the Borough benefit equally from the operation of these functions within Technical Services.

18. RECOMMENDATIONS

That

- (1) the Council be recommended that the current re-engineered 2008-2009 budget detailed in Appendix 1 be agreed, which reflects the virements contained within paragraph 2.2;
- (2) the revised charges detailed in paragraph 5.8 which should generate an additional £50,000 per annum;
- (3) the actions being taken in respect of infrastructure assets be noted and the proposal to capitalise an additional £500,000 of highways

maintenance expenditure be agreed as detailed in paragraph 7 and used to address the shortfalls identified in paragraph.8.1; and

- (4) the proposal contained in paragraph 8.1 be noted and the Director of Technical Services explore ways of containing the 2008-2009 deficit within existing resources and report further on the position for 2009-2010 early in the new financial year.

**DAVID GREEN DIRECTOR
TECHNICAL SERVICES**

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