

REVENUE BUDGET 2020/21

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Annexes/Appendices (attached):	N/A
Other available papers (not attached):	Budget Target Report to S&R Committee on 24 September 2019

Report summary

This report sets out estimates for income and expenditure on services in 2020/21.

Recommendation (s)

That the Committee

- (1) **Recommends the 2020/21 service estimates, for approval at the budget meeting of Full Council in February 2020.**
- (2) **Supports in principle the future savings options as set out in 5.3 for inclusion in the Medium Term Financial Strategy.**

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The new Medium Term Financial Strategy aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.

2 Background

- 2.1 For the period 2020/21 to 2023/24, Full Council will be asked in February to agree a four year Medium Term Financial Strategy (MTFS) to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan. The recommendation in this report is consistent with the proposed MTFS.

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- 2.2 Central Government is currently undertaking Fair Funding and Business Rates Reviews, which are due to complete in 2020 and are expected to adversely impact this Council's funding levels from 2021/22. These reviews, coupled with welfare benefit changes in recent years, continue to create uncertainty and pressure on Council finances and are likely to do so for the foreseeable future. The Council's budget strategy has been, as far as practical, to make operational and efficiency savings and generate additional income to minimise service reduction affecting residents.
- 2.3 The overall Council revenue budget target for 2020/21 was agreed by Strategy & Resources Committee on 24 September 2019 as follows:-
- Estimates are prepared including options to reduce organisational costs by £544,000 in 2020/21 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the MTFS
 - That at least £290,000 additional revenue is generated from an increase in discretionary fees and charges, based on a minimum overall increase in yield of 3.0%, with the exception of car parking which is set at 6.0% as these charges are adjusted every two years;
 - That a provision for pay award is made of £400,000 that allows for a 2% cost of living increase;
 - That further savings are identified for inclusion within the new Medium Term Financial Strategy for 2020-2024 to reduce the Council's net operating costs by a minimum of £1,825,000 over the period 2020/21 to 2023/24;
- 2.4 The figures in this report are final and are representative of the local government finance settlement. Any subsequent changes to service estimates should either be self-financing or produce a saving within the Committee's overall recommended budget.
- 2.5 The service estimates for this Committee are to be included in the draft Budget Book 2020/21 that will be made available to all Councillors.
- 2.6 Estimates have been prepared on the basis that all existing services to residents are maintained.
- 2.7 No general allowance for price inflation has been utilised for the revenue estimates 2020/21. However, where the Council incurs contractual inflationary uplifts, budgets have been adjusted accordingly.
- 2.8 For pay inflation, a budgeted increase of £400,000 has been allowed for within the MTFS.

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- 2.9 The Council agreed a target to increase overall income from locally set fees and charges by a minimum of 3% annually (with the exception of car parking charges, which increase by 6% every two years), after making allowance for any further changes in service. Proposals to achieve this have been included in a separate report on this agenda.
- 2.10 To allow the Council to determine the budget and Council Tax in February, the Committee estimates have been presented as follows:-
- The Budget Book contains the service estimates for 2020/21.
 - All unavoidable cost increases and income reductions are reflected in the estimates.
 - All operational savings identified to date are reflected in the base estimates.
 - Recommended increases to fees and charges have been included within the Budget Book and the income estimates.
 - All increases in charges are subject to approval by the Council.

3 Revenue Estimates 2019/20

- 3.1 Before considering the revenue estimates for 2020/21, this section provides a summary of the forecast outturn for the current financial year. Variations identified with on-going effects have been taken into account in preparing next year's budget.
- 3.2 The Council's probable revenue outturn at Q2 monitoring for all Committees in 2019/20 anticipates an overspend of £33,000, as set out in the Q2 monitoring report below:

Committee	2019/20		
	Current Approved Budget	Q2 Forecast	Variance
	£'000	£'000	£'000
Strategy & Resources	368	(221)	(589)
Environment & Safe Communities	2,360	2,700	340
Community & Wellbeing	6,328	6,610	282
Capital charges	(2,669)	(2,669)	0
Total budget requirement	6,387	6,420	33

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- 3.3 Assuming that this level of overspend continues to 31 March 2020, a contribution from working balances at year end of £33,000 would be required. Currently, the Council's working balance stands at £3,416,000, before any contribution is made.
- 3.4 The probable outturn specifically for Environment & Safe Communities Committee for 2019/20 is an overspend of £340,000, which is shown in the following table. The key reasons for the major variances are explained in the subsequent paragraphs.

Service Group	Published Budget 2019/20	Current Approved Budget 2019/20	Probable Outturn 2019/20	Probable Variance 2019/20
	£'000	£'000	£'000	£'000
Parking	(1,894)	(1,844)	(1,652)	192
Environmental Services	3,255	3,257	3,355	98
Planning & Building Control	547	636	596	(40)
Community Safety	114	116	95	(21)
Environmental Health	167	195	306	111
Environment & Safe Communities Committee	2,189	2,360	2,700	340

- 3.5 The current approved budget in the table above represents the published budget updated with authorised transfers of funds since approval of the budget at Council in February 2019.
- 3.6 The adverse variance within parking is largely due to the Ashley Centre car park forecast to be £215k under-recovered. There is also an adverse variance on business rates across all car parks totalling £43k due to rateable values exceeding budget estimates. These are in the process of being challenged and if successful, would see this position improve. These adverse variances are partially off-set by favourable variances within on-street parking (£22k) and car park permits (£44k).
- 3.7 Within Environmental Services, Domestic Waste is forecasting a £49k adverse variance on employee costs, as reported to Environment & Safe Communities Committee on 22 October 2019. This issue has been addressed as part of the 2020/21 budget setting process. Trade waste is forecasting a £25k adverse variance, partly due to the cost per tonne for tipping charges increasing and partly due to a forecast under-achievement of income. There is a drive to attract new business to the re-branded Business Bins service to mitigate the variance.

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- 3.8 Streetcare is forecasting an adverse variance of £28k. £20k is due to a budgeted staff saving that has not been achieved due to increased demand within the service. This saving had been scheduled four years ago when the current 2016-20 MTFS was produced. £8k expenditure has been incurred on plastic bags for litter bins over and above the budget. The increase in plastic bag expenditure is due to the use of clear bags, rather than cheaper black ones, which enable waste to be recycled and support recycling targets. This additional budget requirement has been addressed through the 2020/21 budget setting process.
- 3.9 Favourable variances are reported in Planning due to over achievement of income on pre-applications and in Community Safety due to a saving on CCTV.
- 3.10 The adverse variance within Environmental Health is mainly due to an under-achievement of income at Epsom Cemetery (£80k) which has been impacted by a lack of capacity and increasing numbers choosing cremation over burial. These challenges are being addressed through the cemetery extension which is due to open in early 2020 and the introduction of new options for burying cremated remains.
- 3.11 A further adverse variance of £32k exists within the Environmental Health team due to the agency costs of covering a hard-to-fill vacancy. Officers are employing various recruitment strategies to try to recruit to this position as soon as possible.
- 3.12 The Committee's probable outturn (estimated net expenditure) for 2019/20 is included in the draft Budget Book on each service group page, with a detailed analysis of variations to budget. The outturn forecasts are all based on quarter two budget monitoring reports used by all managers.

4 Proposals for 2020/21 Budget

- 4.1 The service estimates are included in the draft Budget Book 2020/21, circulated to Councillors in January.
- 4.2 A summary of the Committee's revenue estimates for 2020/21 is set out below:

Service Group	Published Budget 2019/20 £'000	Base Position 2020/21 £'000
Parking	(1,894)	(2,066)
Environmental Services	3,255	3,360
Planning & Building Control	547	598

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Community Safety	114	97
Environmental Health	167	165
Total	2,189	2,154

- 4.3 The following table comprises a summary of the main changes to the Committee's proposed budget for 2020/21 compared with the published budget for 2019/20.

Environment & Safe Communities Committee	Budget £'000
Published Budget 2019/20	2,189
Variation in pay, pension (IAS19) & support service recharges	219
Increase in fees and charges income	(353)
Reduction in CCTV costs	(19)
Budget reclassified within parks public realm	(10)
Increase in gate fees for trade waste	45
Reduction in funding from Surrey Waste Partnership	66
Unrealised staff saving from 2016 - increased service demand	20
Increase in business rates	13
Increased cleaning and maintenance	38
Temporary adjustment to land drainage recharge, to be recalculated in 2020/21	(55)
Sundry Variations	1
Base Position 2020/21	2,154

5 Proposals for Medium Term Financial Strategy 2020/21 to 2023/24

- 5.1 As set-out in paragraph 2.3, Strategy & Resources Committee has agreed a Council-wide savings target of £1.825m to achieve a balanced budget across the period to 2023/24.

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- 5.2 Following service reviews undertaken with Heads of Service in 2019, operational and efficiency savings and additional income opportunities totalling £737,000 across the organisation have been identified, with minimal impact on frontline services. A further £500,000 saving has been identified through reduced reserve transfers to the Property Income Equalisation Reserve, as the target balance on this reserve is met by 2022/23.
- 5.3 To address the remaining Council-wide budget deficit of £588,000, the Committee is asked to support in principle the future saving option set out in the following table (and summarised in the subsequent paragraph) for further work and inclusion in the Medium Term Financial Strategy:

Saving Description	Ref	Saving Amount (£'000)				
		2020/21	2021/22	2022/23	2023/24	Total
Optimise Waste Collection	A	0	0	100	0	100

A. Optimising Waste Collection (2022/23)

Following the transfer to Surrey County Council in 2018 of the economic benefits from recycling, and once central government's new Waste Strategy is published, the Council proposes to review its current service delivery model to optimise the service in 2022/23. Options that could be considered include switching refuse and mixed recycling (incl glass) collections from weekly to fortnightly, which would reduce the service's environmental impact and generate a minimum saving of £100,000 pa.

- 5.4 The savings option identified above is scheduled from 2022/23. This will enable the Council to further develop and discuss the proposal once the Council's future funding position becomes clearer following the completion of central government's Fair Funding and Business Rates Reviews, which is expected later in 2020.
- 5.5 Should the savings option not be supported in principle, alternative options will need to be identified to address the Council's budget deficit.

6 Financial and Manpower Implications

- 6.1 Should operational changes affect staffing levels or staff duties, consultation processes would be progressed as appropriate.
- 6.2 The draft Budget Book 2020/21 is highly detailed and therefore please can any questions or queries be sent to relevant officers in advance of this Committee meeting wherever possible.
- 6.3 **Chief Finance Officer's comments:** Financial implications are contained within the body of this report.

7 Legal Implications (including implications for matters relating to equality)

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7.1 The Council will fulfil its statutory obligations and comply with its policy on equalities.

7.2 **Monitoring Officer's comments:** There are no direct legal implications arising from this report. However, decisions taken about the budget will impact the services which can be delivered. It is important that statutory services are appropriately funded, which the recommended budget seeks to achieve.

8 Sustainability Policy and Community Safety Implications

8.1 There are no specific particular implications for Sustainability Policy or Community Safety arising out of this report.

9 Partnerships

9.1 Many services are provided by the Council without the direct involvement of other agencies. There is, however, an increasing role for partnership working with others to achieve mutually agreed objectives. The benefits and risks need to be assessed in each specific case to ensure that value for money is secured and the Council's priorities are delivered in the most efficient and effective manner.

10 Risk Assessment

10.1 In preparing the revenue budget estimates officers have identified the main risks facing the Committee in delivering services within the budget. These budgets will require careful management during the year.

Service	Risk	Budget Estimate 2020/21 £'000	Risk Management
Off Street Car Parking	Medium to High: Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on outturn.	Total Budgeted Income £4,227k 1% change would affect income by £42k 5% change would affect income by £211k	Monthly monitoring and work analysing individual car park performance against target.

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Operational Services	Low: The service is reliant on fuel and therefore susceptible to price rises.	Fuel budget across Op services is £316k 10% change would increase costs by £32k	Continuously monitor fuel Costs and reduce fuel consumption where possible.
Cemetery	Medium: Numbers of burials are falling impacting the income level of the service.	Total Budgeted Income £479k A 10% reduction would result in shortfall of £48k income.	Promotion of service and diversification of services offered. The new extension is due to open in early 2020.
Building Control	Low: Private competition has impacted on the service in recent years with the market difficult to predict.	Total Budgeted Income £318k A 10% reduction would result in £32k shortfall against income budget	Monthly monitoring including work analysing income against target.
Development Control	Low: The uncertainty of single, large applications can impact significantly on income. Planning Performance Agreements and pre-applications are dependent upon demand for development in the borough.	£570k income budget A 10% reduction would result in £57k shortfall of income	Monthly monitoring including work analysing income against target.

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11 Conclusion and Recommendations

11.1 The Committee is asked to agree the service revenue estimates set out in the draft Budget Book 2020/21.

11.2 Full Council will consider the budget at its meeting on 13 February 2020.

Ward(s) affected: (All Wards);