

## REVENUE BUDGET 2019/20

<b>Head of Service/Contact:</b>	Lee Duffy, Chief Finance Officer
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	N/A
<b>Annexes/Appendices (attached):</b>	None
<b>Other available papers (not attached):</b>	Budget Target Report to S&R Committee on 25 September 2018

### Report summary

This report sets out estimates for income and expenditure on services in 2019/20.

### Recommendation (s)

- (1) That the Committee recommends the 2019/20 service estimates, for approval at the budget meeting of Full Council in February 2019.**

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

- 1.1 The Medium Term Financial Strategy and Efficiency Plan aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.
- 1.2 The Service Plan for the Corporate Priority "Managing Resources" includes service targets designed to maintain a balanced budget.

## **2 Background**

- 2.1 Government reductions to the revenue support grant and welfare benefit changes continue to create 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 to minimise service reduction affecting residents.

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- 2.2 For 2016/17 to 2019/20, Council agreed a four year Medium Term Financial Strategy (MTFS) and Efficiency Plan 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 MTFS.
- 2.3 The overall Council revenue budget target for 2019/20 was agreed by Strategy & Resources Committee on 25 September 2018 as follows:-
- Estimates should include options to reduce organisational costs by £406,000 in order 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 £200,000 additional revenue is generated from an increase in discretionary fees and charges;
  - That a provision for pay award is made of £280,000 that represents an increase to the staffing budget of 2.5%, 1% for cost of living and 1.5% for progression;
  - That further savings and efficiencies be identified to address the budget shortfall of £113,000 in 2019/20;
  - That £200,000 from the financial gain of being part of the Pilot for Business Rates is used to mitigate the potential payment of £625,000 to government for 'negative RSG'.
- 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 Following the removal of 'negative RSG' in the provisional local government finance settlement, the Council has been able to reduce its reliance on funding from both New Homes Bonus and the one-off financial gain from the business rates pilot.
- 2.6 The service estimates for this Committee are to be included in the draft Budget Book 2019/20 that will be made available to all Councillors.
- 2.7 Estimates have been prepared on the basis that all existing services to residents are maintained.
- 2.8 No general allowance for price inflation has been utilised for the revenue estimates 2019/20. However, where the Council incurs contractual inflationary uplifts, budgets have been adjusted accordingly.
- 2.9 For pay inflation, a budgeted increase £280,000 has been allowed for within the MTFS.

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2.10 The Council agreed a target to increase overall income from locally set fees and charges by a minimum of 3%, after making allowance for any further changes in service. Proposals have been included in a separate report on this agenda.

2.11 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 2019/20.
- 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 2018/19

3.1 Before considering the revenue estimates for 2018/19, 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 2018/19 anticipates an adverse variance of £144,000. This would result in a contribution from working balances at year end of £144,000, assuming that this level of variance continues through to 31 March 2019. The Council's working balance currently stands at £3,348,000 before any contribution is made.

3.3 The probable outturn specifically for Environment and Safe Communities Committee only for 2018/19 is an adverse variance of £293,000, which is shown in the following table. The key reasons for the major variances are explained in the subsequent paragraphs.

Service Group	Published Budget 2018/19	Current Approved Budget 2018/19	Probable Outturn 2018/19	Probable Variance 2018/19
	£'000	£'000	£'000	£'000
Parking	(1,989)	(1,943)	(1,820)	123
Environmental Services	3,082	3,243	3,386	143
Planning & Building Control	607	615	622	8

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Community Safety	101	78	62	(16)
Environmental Health	147	187	223	35
<b>Environment &amp; Safe Communities Committee</b>	<b>1,948</b>	<b>2,180</b>	<b>2,473</b>	<b>293</b>

- 3.4 The current approved budget in the table above represents the published budget updated with authorised transfers of funds since the budget was approved in February 2018.
- 3.5 The adverse forecast variance within Car Parks of £123,000 is due to underachievement of income at the Ashley Centre, which is now projected to be £153,000 below budget. This is offset by a net favourable variance across all other car parks of £30,000. Income from car parks will continue to be monitored and any adverse variance relating to the temporary Plan E works will be funded from reserves in 2019/20. Should adverse variances persist beyond Plan E's completion, options for addressing the budget gap will be considered as part of next year's budget setting process.
- 3.6 Within Environmental Services, a net adverse variance of £167,000 is forecast within domestic waste, following a significant increase in comingled recycling gate fees. Gate fees have increased from £45 per tonne to £64, primarily due to the announcement from China in January 2018 that it would no longer import plastics for recycling, having previously been a major importer. As of 1 April 2019, in line with other Surrey borough councils, Surrey County Council will take control of Epsom & Ewell's recycling disposal. This budgetary pressure does therefore not feature in the 2019/20 budget for Environmental Services.
- 3.7 Also within Environmental Services, the income from Epsom market has a forecast adverse variance of £39,000. The adverse variance relating to temporary Plan E works will be funded from reserves in 2019/20. Should adverse variances persist beyond Plan E's completion, options for addressing the budget gap will be considered as part of next year's budget setting process.
- 3.8 The adverse variances within Environmental Services are offset by a number of favourable variances, the largest of which is a forecast over-achievement of income on Trade Waste of £38,000.
- 3.9 The adverse variance within Environmental Health is due an under-achievement of income by £44,000 within the cemetery. As a result of the limited number of remaining burial plots, the sale of future graves has been suspended. The ongoing cemetery extension scheme should see this income stream restored in future years.
- 3.10 The Committee's probable outturn (estimated net expenditure) for 2018/19 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.

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### 4 Proposals for 2019/20 Budget

- 4.1 The service estimates are included in the draft Budget Book 2019/20, circulated to Councillors in January.
- 4.2 A summary of the Committee's revenue estimates for 2019/20 is set out below:

<b>Service Group</b>	<b>Published Budget 2018/19 £'000</b>	<b>Base Position 2019/20 £'000</b>	<b>Variance £'000</b>
Parking	(1,989)	(1,896)	93
Environmental Services	3,082	3,255	173
Planning & Building Control	607	545	(62)
Community Safety	101	114	13
Environmental Health	147	169	22
<b>Total</b>	<b>1,948</b>	<b>2,187</b>	<b>239</b>

- 4.3 The following table comprises a summary of the main changes to the Committee's proposed budget for 2019/20 compared with the published budget for 2018/19.

<b>Environment &amp; Safe Communities Committee</b>	<b>Budget £'000</b>
<b>Published Budget 2018/19</b>	<b>1,948</b>
Variation in pay, pension (IAS19) & support service recharges	250
Increase in income from fees and charges	(218)
Operational efficiencies	(28)
Net increase in transport recharge	12
Car Park operational budgets including electricity, card payment processing fees and insurance	43

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Net impact of SCC taking recycling responsibilities and reduced SWP funding	166
Sundry items	14
<b>Base Position 2019/20</b>	<b>2,187</b>

### 5 Financial and Manpower Implications

- 5.1 Consultation processes will be progressed should operational changes affect staffing levels or staff duties.
- 5.2 The draft Budget Book 2019/20 is highly detailed and therefore any questions or queries should be sent to relevant officers in advance of this Committee meeting wherever possible.
- 5.3 **Chief Finance Officer's comments:** Financial implications are contained within the body of this report.

### 6 Legal Implications (including implications for matters relating to equality)

- 6.1 The Council will fulfil its statutory obligations and comply with its policy on equalities.
- 6.2 **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.

### 7 Sustainability Policy and Community Safety Implications

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

### 8 Partnerships

- 8.1 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.

### 9 Risk Assessment

- 9.1 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.

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Service	Risk	Budget Estimate 2019/20 £'000	Risk Management
Off Street Car Parking	<b>Medium to High:</b> Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on outturn. Plan E traffic works may also impact carpark usage.	Total Budgeted Income £3,986k 1% change would affect income by £40k 5% change would affect income by £199k	Monthly monitoring and work analysing individual car park performance against target.
Operational Services	<b>Low:</b> The service is reliant on fuel and therefore susceptible to price rises.	Fuel budget across Op services is £307k 10% change would increase costs by £31k	Continuously monitor fuel costs and reduce fuel consumption where possible.
Cemetery	<b>Medium:</b> Numbers of burials are falling impacting the income level of the service.	Total Budgeted Income £464k A 10% reduction would result in shortfall of £46k income.	Promotion of service and diversification of services offered. The new extension works are due to start in the spring.
Building Control	<b>Low:</b> Private competition has impacted on the service in recent years with the market difficult to predict.	Total Budgeted Income £308k A 10% reduction would result in £31k shortfall against income budget	Monthly monitoring including work analysing income against target.

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Development Control	<b>Low:</b> The uncertainty of single, large applications can impact significantly on income.  Planning Performance Agreements are new so volume based on estimate	£538k income budget A 10% reduction would result in £54k shortfall of income	Monthly monitoring including work analysing income against target.
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### 10 Conclusion and Recommendations

- 10.1 The Committee is asked to agree the service revenue estimates set out in the draft Budget Book 2019/20.
- 10.2 The Council will consider the budget at its meeting on 19 February 2019.

**Ward(s) affected:** (All Wards);