

## REVENUE BUDGET REPORT 2020/21

<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>	
<b>Other available papers (not attached):</b>	Budget Target Report to S&R Committee 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.

# Community and Wellbeing Committee

## 21 January 2020

- 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 £400,000 has been allowed for within the MTFS.

# Community and Wellbeing Committee

## 21 January 2020

- 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.
- 2.11 All increases in charges are subject to approval by the Council

### 3 Proposals

- 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 £'000	Q2 Forecast £'000	Variance £'000
Strategy & Resources	268	(221)	(489)
Environment & Safe Communities	2,360	2,700	340
Community & Wellbeing	6,428	6,610	182
Capital charges	(2,669)	(2,669)	0
<b>Total budget requirement</b>	<b>6,387</b>	<b>6,420</b>	<b>33</b>

# Community and Wellbeing Committee

## 21 January 2020

- 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 Community and Wellbeing Committee for 2019/20 is an overspend of £182,000, 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
Housing	1,350	1,456	1,673	217
Community Services	355	379	380	1
Support for Voluntary Organisations	261	261	261	0
Community Centres	479	518	518	0
Health & Wellbeing	36	37	37	0
Parks and Open Spaces	1,865	2,010	2,015	5
Sports, Leisure & Cultural	1,326	1,421	1,380	-41
Precepting/Levying Bodies	345	346	346	0
<b>Community &amp; Wellbeing Committee</b>	<b>6,035</b>	<b>6,428</b>	<b>6,610</b>	<b>182</b>

- 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 Numbers in temporary accommodation have been increasing during the year and an overspend of £317k was anticipated by year end. This has been partially offset by £100k through the release of contingency funding.
- 3.7 The Council has recovered one-off additional contract income of £70k relating to the Rainbow Centre through applying backdated RPI increases to the contract with Greenwich Leisure Limited. This is partially offset by lower than budgeted income at Bourne Hall (£11k) and Ewell Court House (£18k).
- 3.8 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.

# Community and Wellbeing Committee

## 21 January 2020

### 4 Financial and Manpower Implications

- 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
Housing	1,350	1,636
Community Services	355	371
Support for Voluntary Organisations	261	260
Health & Wellbeing	36	37
Community Centres	497	514
Parks and Open Spaces	1,865	2,007
Sports, Leisure & Cultural	1,326	1,261
Precepting/Levying Bodies	345	352
<b>Total</b>	<b>6,035</b>	<b>6,439</b>

- 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.

Community & Wellbeing Committee	2019/20 Budget £'000
<b>Published Budget 2019/20</b>	<b>6,035</b>
Variation in pay, pension (IAS19) & support service recharges	177
Increased temporary accommodation costs on homelessness	380
Contribution from reserves (Flexible Housing Support Grant)	(116)
Increase in facilities maintenance and cleaning charges	103

Community and Wellbeing Committee  
21 January 2020

Rangers service review savings identified	71
Savings on Ewell Court House proposal	(60)
Venues budget realignments	(50)
Additional income from fees and charges	(48)
Playhouse additional box office and bar income	(38)
Increased income on Rainbow Centre contract	(37)
Cyclical reduction in 5 year multiple occupancy licence income	13
Sundry Variations	8
<b>Base Position 2020/21</b>	<b>6,439</b>

**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.
- 5.2 Following service reviews undertaken with Heads of Service in 2019, operational/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 future savings options set out in the following table (and summarised in the subsequent paragraphs) 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
Reduce subsidy of operating Ewell Court House	A	60	0	0	0	<b>60</b>
Review of Bourne Hall	B	0	30	30	0	<b>60</b>
Locking of Parks	C	0	50	0	0	<b>50</b>
Reduce subsidy of operating Community & Wellbeing Centre	D	0	0	0	50	<b>50</b>

# Community and Wellbeing Committee

## 21 January 2020

Total		60	80	30	50	220
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### A. Reduce subsidy of operating Ewell Court House (2020/21)

In June, S&R and C&W Committees agreed that the Council should explore the opportunity and potential benefits from entering into a partnership with a specialist from the wedding and events sector to maximise the public and community use of Ewell Court House. The Council's net direct expenditure is currently £60,000 per annum at the venue and one objective of any partnership will be to address this position.

### B. Review of Bourne Hall (2021/22 & 2022/23)

The Council's net expenditure including overheads and capital charges to run Bourne Hall and the Museum is in excess of £700,000. Options will be produced and presented to Committee on how this level of subsidy can be reduced by £60,000 by 2023/24.

### C. Locking of parks (2021/22)

Proposals will be put forward for how the locking of parks can be achieved in a more cost effective manner, with a target saving of £50,000.

### D. Reduce subsidy of operating Community & Wellbeing Centre (2023/24)

The direct cost to the Council of operating the Centre is in the region of £113,000 per annum. Options will be considered to reduce the level of subsidy by £50,000 by 2023/24 and to be completely self-funded by 2026/27.

- 5.4 The majority of the savings options identified above are proposed to be delivered from 2021/22. This will enable the Council to further develop and discuss these proposals 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 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.

# Community and Wellbeing Committee

## 21 January 2020

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

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
Homelessness	<b>High:</b> Increase in numbers of presentations	1,055	Continuing with preventative initiatives and alternative temporary accommodation options
Community Services	<b>Medium:</b> Insufficient take up of Daycare+ service to cover costs	81	Promotion of service, working with partners

# Community and Wellbeing Committee

## 21 January 2020

### **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);