

REVENUE BUDGET AND FEES AND CHARGES 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):	Annex 1 – Fees and Charges
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 £400,000 has been allowed for within the MTFS.

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- 2.9 Furthermore, in December the external actuary re-assessed the Council's required contributions into the Pension Fund over the next three years. The actuary assessed that the employer's contribution should increase from 15.4% of an employee's pensionable pay to 17.4%. This 2 percentage point increase will cost the Council an estimated £150,000 per annum, and so has had to be factored in to the budget.
- 2.10 Aside from income and rents, there are a limited number of services provided by the Committee for which fees and charges are levied. The impact of changes to Town Hall Room Hire charges and Land Charge tariffs have been estimated and incorporated in the estimates for 2020/21. The proposed tariffs are set out in Annexe 1 to this report.
- 2.11 The Council agreed a target to increase overall income from locally set fees and charges by a minimum of 3% annually, after making allowance for any further changes in service. Certain charges for Committees are being proposed at above inflation levels, either to reduce service subsidy levels or to enable the Council to achieve a balanced budget.
- 2.12 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 and below:

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Committee	2019/20		
	Current Approved Budget £'000	Q2 Forecast £'000	Variance £'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

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 Strategy & Resources Committee for 2019/20 is an underspend of £589,000, which is shown in the following table. The key reasons for the major variances are explained in the subsequent paragraphs.

Forecast Outturn by Service	Published Budget 2019/20	Current Approved Budget 2019/20	Forecast Outturn 2019/20	Forecast Variance 2019/20
	£'000	£'000	£'000	£'000
<u>Strategy & Resources Committee</u>				
Democratic & Civic	766	766	774	7
Corporate Functions	618	618	618	0
Corp Financial Management	1,571	1,213	1,003	(210)
Tax Collection & Benefits	(310)	(294)	(515)	(221)
Land Charges	(1)	(1)	4	5
Land & Property	(1,989)	(2,097)	(2,219)	(122)
Economic Dev. & Prosperity	102	102	104	2
Employee and Support Services	75	61	10	(50)
Subtotal Strategy & Resources	833	368	(221)	(589)

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. The forecast variances to budget exceeding £100,000 are explained in the following paragraphs.

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- 3.6 Within Housing Benefits, the Council currently budgets to recover 98.4% of housing benefit subsidy payments from the Department of Work & Pensions. However, by 2019/20 the recovery rate has improved to 99.4%, helping to achieve a net £173,000 underspend against the budget. A further £39,000 budget for bad debts is not expected to be utilised in the year.
- 3.7 Within Land and Property, £200,000 additional dividend income from Epsom & Ewell Property Investment Company Ltd is projected, due to additional rental income and lower costs of running the company. This is partially offset by £21,000 unachieved income from property on South Street, Epsom, and an additional £25,000 costs in the first year of the Council's buildings maintenance contract.
- 3.8 Corporate contingency budgets within Corporate Financial Management are forecast to underspend by £110,000, and a further £100,000 is to be apportioned to Community & Wellbeing Committee to mitigate the projected overspend on homelessness prevention within housing services.
- 3.9 The above variances have been factored into the Council's budget from next year.
- 3.10 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:

Strategy & Resources Committee	Published Budget 2019/20	Base Position 2020/21
	£'000	£'000
Democratic & Civic	766	686
Corporate Functions	618	616
Corp Financial Management	1,571	1,373
Tax Collection & Benefits	(310)	2,731
Land Charges	(1)	(1)
Land & Property	(1,989)	(2,237)
Economic Development & Community Consultation	102	100
Employee and Support Services	75	550
Total Strategy & Resources	833	3,818

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- 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.

STRATEGY AND RESOURCES COMMITTEE		BUDGET £'000
Published Budget 2019/20		833
Service Group	Change	
All	Variation in pay, pension (IAS19) & support service recharges	24
Democratic & Civic	Removal of local elections budget	-70
Land & Property	Additional net receipts from Council-owned investment properties	-51
Land & Property	Additional net receipts from EEPIC after contributions to reserves	-87
Land & Property	Cleaning & Maintenance contract inflation	29
Corp Financial Management	Increased revenue contribution to capital schemes	100
Corp Financial Management	Reduction in contingencies following application to services	-315
Corp Financial Management	Additional contingency for funding cuts from Surrey County Council	80
Corp Financial Management	Additional treasury management investment income	-54
Tax Collection & Benefits	Removal of net contribution from business rates equalisation reserve to fund prior year deficit	3,224
Tax Collection & Benefits	Increased recovery of Housing Benefit subsidy payments from DWP	-194
Employee & Support Services	Corporate pay and pension provision to be apportioned to services in 2020/21	272
All	Other changes	27
Base Position 2020/21		3,818

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

- 5.1 As set-out in paragraph 2.3, this 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 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
Acquiring commercial property within Borough	A	0	112	0	96	208
Borough Insight reduced to 2 publications per annum	B	0	8	0	0	8
Total		0	120	0	96	216

A. Acquiring commercial property within the Borough (2021/22)

The Council has £55m remaining in the approved Commercial Property Acquisition Fund, funded through borrowing, to invest in commercial property for regeneration and financial benefits within the Borough. The timing of any acquisition would depend on when suitable opportunities arise; although for the purposes of forecasting, this is assumed to be in 2021/22. While there are finite opportunities within the Borough, it is anticipated that at least one property can be identified in the four year period, to generate £208,000 net additional income per annum by 2023/24.

B. Borough Insight reduced to 2 publications per annum (2021/22)

A saving of £8,000 would be achievable by reducing Borough Insight from three publications per annum to two. Proposals will be put forward for how this could be achieved while still maintaining ample communication with residents. A greater saving of up to £24,000 could be achieved if it was agreed to cease hard copy publication entirely. A Local Government Association Peer Review of the Council's

- 5.4 The savings options identified above are scheduled from 2021/22. This will enable the Council to further develop and discuss the 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.

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- 5.5 It will also enable the Council to consider the findings of the Local Government Association's ongoing peer review of our communication and engagement processes, before any final decision on changes to the frequency of Borough Insight publications is made.
- 5.6 Should the savings options not be supported in principle, alternative options will need to be identified to address the Council's budget deficit.

6 Fees and Charges 2020/21

- 6.1 Fees and Charges within the remit of this Committee are set out in **Annex 1**.
- 6.2 In February 2018, the Committee confirmed that the Chief Finance Officer should have delegated authority to vary fees and charges for items generating income under £1,000 per annum and/or for one-off items not included in the fees and charges schedule.
- 6.3 Charges at the Town Hall for room hire and associated officer time fees have been raised between 3.0% and 4.9%. The budgeted income is £2,527.
- 6.4 Increases to land charge tariffs are between 3.0% and 5.0%, with the only exception being personal search fees. Personal search fees have increased by 9.1% from £0.55 to £0.60, which reflects that there had been no increase the previous year, and the charge remains rounded to the nearest 5p. The annual budget for land charges is £102,000.

7 Financial and Manpower Implications

- 7.1 Should operational changes affect staffing levels or staff duties, consultation processes would be progressed as appropriate.
- 7.2 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.
- 7.3 **Chief Finance Officer's comments:** Financial implications are contained within the body of this report.

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

- 8.1 The Council will fulfil its statutory obligations and comply with its policy on equalities.
- 8.2 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.

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8.3 **Monitoring Officer's comments:** none arising from the contents of this report.

9 Sustainability Policy and Community Safety Implications

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

10 Partnerships

10.1 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.

11 Risk Assessment

11.1 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
Employee costs	Medium: Not achieving budgeted staff savings to meet the vacancy provision	12,541	Recruitment management Salaries monitoring
Treasury management – income from interest on balances	Medium: Achievement of budgeted return	150	Prudent budgeting Treasury Management Policy including use of specialist external advisers and fund managers Use of Interest Equalisation Reserve
Land and property rental income	Medium: Loss of tenants and commercial rentals	2,896 EEBC 906 EEPIC (net)	Asset Management Plan – property and rent reviews Use of Property Income Equalisation Reserve

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12 Conclusion and Recommendations

- 12.1 The Committee is asked to agree the service revenue estimates set out in the draft Budget Book 2020/21.
- 12.2 Full Council will consider the budget at its meeting on 13 February 2020.

Ward(s) affected: (All Wards);