

**ENVIRONMENT COMMITTEE
21 JANUARY 2016**

REVENUE BUDGET 2016/17

Report of the: Director of Finance and Resources
Contact: Kathryn Beldon/ Lee Duffy/ Michael Smith
Urgent Decision?(yes/no) No
If yes, reason urgent decision required:
Annexes/Appendices (attached): None
Other available papers (not attached): Budget Target Report 27 October 2015

REPORT SUMMARY

This report sets out estimates for income and expenditure on services in 2016/17.

RECOMMENDATION

That the Committee recommends the 2016/17 service estimates for approval at the budget meeting of the Council on 11 February 2016.

Notes

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

- 1.1 The Medium Term Financial Strategy 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 in public sector funding, welfare benefit changes and the long term impacts of a weak economy 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.
- 2.2 The recommendation in this report is consistent with the Council's four year financial plan 2016-2020 and the Medium Term Financial Strategy.
- 2.3 The overall Council revenue budget target for 2016/17 was agreed by Strategy & Resources Committee on 29 September 2015 as follows:-

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- Estimates are prepared including options to reduce organisational costs by £650,000 subject to government grant announcement, to minimise the use of working balances and maintain a minimum working balance of £2.5million in accordance with the Medium Term Financial Strategy;
- That at least £400,000 additional revenue is generated from an increase in discretionary fees and charges, based on an overall increase in yield of 6.0%;
- That a provision for pay award is made of £230,000 that represents a 1.5% increase;
- That further savings are identified for inclusion within the medium term financial strategy that will reduce the Council's net operating costs by a minimum of £1,644,000 over the period 2017/18 to 2019/20;
- That the Capital Member Group seeks to limit schemes included within the capital expenditure programme that enable the retention of agreed minimum level of capital reserves. A separate Capital report for this Committee is included on this agenda.

2.4 Subject to confirmation of the figures in the local government finance settlement, it is anticipated that the service estimates as presented to the four policy committees will enable the budget target set by Council to be met in 2016/17. Any changes to the 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 included in the draft Budget Book 2016/17 that has been distributed to all Councillors.

3 Proposals

3.1 Estimates have been prepared on the basis that all existing services to residents are maintained. There are two items on this agenda for this Committee that may impact on our final budget position for 16/17 depending on member decision. They each have a separate report on this agenda and are:

- Highway verges; and
- Tree Preservation Order Surveys

3.2 The financial implications of these two reports have been included in the overall £1.64m savings requirement mentioned in section 2.3.

3.3 No general allowance has been made for price inflation. Where increased costs are unavoidable efficiency savings have been identified to offset the additional costs.

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- 3.4 The Council agreed a target to increase overall income from locally set fees and charges by a minimum of 6%, after making allowance for any further changes in service. Proposals have been included in a separate report on this agenda. Certain charges are being proposed at above-inflation levels, either to reduce service subsidy levels or to enable the Council to achieve a balanced budget.
- 3.5 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 2016/17.
 - 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.

4 Revised Estimates 2015/16

- 4.1 Before considering estimates for 2016/17 this section provides a summary of the forecast for the current financial year. Variations identified have been taken into account in preparing next year's budget.
- 4.2 The Council's overall expected outturn for 2015/16 anticipates £391,000 use of reserves, this is £162,000 in excess of the budgeted position of £229,000.
- 4.3 Although the latest forecast for 2015/16 is projecting an overspend of £162,000, officers have introduced in year spending reviews and restrictions to remove the overspend. Further in year updates will be reported at Quarter 3 monitoring. Should members wish to allocate such further sums, then further savings/income generation would be required to ensure that the Council does not further exceed the current year's budget.
- 4.4 As can be seen from the table below, this Committee is forecasting some significant adverse variations due to a reduction in planning fee income, parking PCN income, and a volatile market for recyclable materials. This overspend has been addressed by officers in the 16/17 budget as far as possible. However, it should be noted that the planning income is dependent on applications and timing with the recycling income being very much exposed to the volatility of external market forces.
- 4.5 The Committee's probable outturn (estimated net expenditure) for 2015/16 is included in the draft Budget Book on each cost centre page, with a detailed analysis on variations to original budget. The outturn forecasts are based on the quarter two budget monitoring reports issued to all Councillors.
- 4.6 A summary of probable outturn for each service group is as follows:

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SERVICE GROUP	PUBLISHED BUDGET 2015/16 £'000	CURRENT APPROVED BUDGET 2015/16 £'000	PROBABLE OUTTURN 2015/16 £'000	VARIATION FROM CURRENT BUDGET £'000
Car Parking	(1,710)	(1,705)	(1,575)	130
Environmental Services	2,847	2,847	2,945	98
Highways	502	502	470	(32)
Planning & Building Control	653	652	701	49
Community Safety	151	151	150	(1)
Total	2,443	2,447	2,691	244

- 4.7 The current approved budget in the table above represents the published budget updated with authorised transfer of funds since the budget was approved in February 2015.
- 4.8 This Committee's probable outturn for 2015/16 is £244,000 more than the current approved budget. The main reasons for the variations are detailed below:-
- 4.8.1 Car Parking (£130k adverse) – A reduction in on street parking PCN's in year has led to a projected loss on the on street parking account of £80,000. The remainder is a loss from off street PCN income, increased maintenance and supplies and services charges from Town Hall and Hope Lodge following the introduction of barrier control.
- 4.8.2 Development Control (£103k adverse) – The number of applications that were anticipated when setting the budget have not, so far, been realised and therefore an adverse variance is being projected.
- 4.8.3 Domestic Refuse (£140k adverse) – The co-mingled recycling gate fee charge per tonne has increased significantly since the budget was set. This has resulted in an £85k overspend. Paper tonnages are down and amount per tonne received has halved due to the closure of Aylesford paper mill. Income received per tonne of glass has also more than halved. The fluctuations in market prices and externally set charges/income are monitored regularly by the Transport and Waste Services Manager and finance. Any changes impacting on the service are reported in monthly monitoring and to management immediately. During the budget setting process the best possible information and market predictions are used to create a realistic and prudent budget. However, the market has proved to be volatile and external changes are out of the control of EEBC.
- 4.8.4 Building Control (£21k favourable) – Increased income from building control fees.

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5 Budget Proposals 2016/17

5.1 The service estimates are included in the draft Budget Book 2016/17, circulated to Councillors in January.

5.2 A summary of the Committee's revenue estimates for 2016/17 is set out below:

SERVICE GROUP	PUBLISHED BUDGET 2015/16 £'000	BASE POSITION 2016/17 £'000
Car Parking	(1,710)	(2,009)
Environmental Services	2,847	2,577
Highways	502	445
Planning & Building Control	653	686
Community Safety	151	122
Total	2,443	1,821

5.3 The following table comprises a summary of the main changes to the Committee's proposed budget 2016/17 compared with the published budget for 2015/16.

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Published Budget 2015/16	2,443
Increase in car park fees and charges	(553)
Reduction in Capital charges	(193)
Reduction in contract recharges	(161)
Increase in green waste membership and trade waste income	(52)
Increase in Planning Income (incl new charges)	(39)
Increased income from building control	(28)
Plan E Scheme recharges	(26)
Increased income from permit numbers	(21)

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Sundry Variances	(10)
Reduction in PCN income from on and off street parking	225
Variations in recycling charges and income	115
Variation in pay, pension (IAS19) & support service recharges*	64
Increase in supplies and services expenditure	57
Base Position 2016/17	1,821

- 5.4 * Pay and pension costs include all charges for employees, including pension fund liabilities under International Accounting Standard 19, for this Committee. Support service recharges are for the provision of statutory and administrative services carried out by back office departments of the Council.
- 5.5 Detailed budget changes are shown in the Budget Book pages.
- 5.6 Operational / efficiency savings towards the Medium Term Financial Strategy that were agreed by this Committee on 27 October 2015 have been included within the base position. The base position also includes changes identified by officers to reduce organisation costs.
- 5.7 The fees and charges report on this agenda identifies areas where additional income can be generated.
- 5.8 The following comprises a summary of the impact of the proposed fees and charges for services.

Service	Additional Income £'000
Vehicle Parking	553
Markets	5
Domestic/Trade Refuse	52
Planning	39
Total	649

6 Budget Reviews

- 6.1 At this Committee's meeting in October it was agreed that the following service changes would be incorporated into the budget.

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Service	£'000
Introduce Planning Performance Agreements	12
Charge for Variations to S106 Agreements	4
Charging for Enabling Officers Time	2
Increase parking income above 6% yield	367

6.2 Savings or incomes arising from these reviews have been included in the budget estimates for 2016/17.

7 Financial and Manpower Implications

7.1 Consultation processes will be progressed should operational changes affect staffing levels or staff duties.

7.2 Any questions or queries with the Budget Book 2016/17 should be sent to relevant Officers in advance of this Committee meeting.

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 **Monitoring Officer's comments:** The Council will fulfil its statutory obligations and comply with its policy on equalities.

9 Sustainability Policy and Community Safety Implications

9.1 Whilst there are no particular implications for the Sustainability Policy or the Community Safety Strategy arising out of this report, the allocation of resources by the relevant policy committees will be needed to deliver actions in these areas of work.

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.

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Service	Risk	Budget Estimate 2016/17 £'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 Income £3,732k 1% change would reduce income by £37k 5% change would reduce income by £187k	Monthly monitoring and work analysing individual car park performance against target.
Domestic and Trade Waste Collection	Medium to High Income from waste recycling fees is exposed to changes in market prices and is therefore susceptible to sudden changes. Fuel cost rise increases the cost of providing the services.	£1,662k net budget Income and expenditure is sensitive to many variables such as transport, tipping charges and recycling credit. 5% adverse change in income would be £88k.	Monthly monitoring of income against target. Officers negotiate, where possible, to fix the prices and optimise income. Continuously monitor fuel costs and reduce fuel consumption where possible.
Building Control	Low to Medium Private competition has impacted on the service in recent years with the market is difficult to predict.	£250k 10% reduction would result in £25k shortfall against income budget	Monthly monitoring including work analysing income against target.
Development Control	Low to Medium Single large applications can impact significantly on income. New fees and charges so volume based on estimate	£467k 10% reduction would result in £47k shortfall on income budget	Monthly monitoring including work analysing income against target.
Highways	Low Possible reduction of contribution from partner agency due to major budget cuts.	£164k Contribution from SCC	Review of expenditure relating to highways agency spend to ensure full costs funded by SCC.

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12 Conclusion and Recommendations

12.1 The Committee is asked to agree the service revenue estimates as set out in the draft Budget Book 2016/17

12.2 The Council will consider the budget at its meeting on 11 February 2016.

WARD(S) AFFECTED: All