

2021/22 REVENUE BUDGET AND FEES & CHARGES

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	1 – Fees and Charges

Summary

This report sets out estimates for income and expenditure on services in 2021/22.

Recommendation (s)

The Committee is asked to:

- (1) Recommend the 2021/22 service estimates for approval at the budget meeting of Full Council in February 2021;
- (2) Confirm the savings options set-out in section 6 for inclusion in the 2021/22 and 2022/23 budget estimates, to mitigate the council's projected budget gap;
- (3) Support that any remaining budget gap for 2021/22 - after factoring in those savings agreed at recommendation 2 and savings agreed at other Policy Committees – should be funded from the Corporate Projects Reserve and Flexible Housing Support Grant, as set-out in section 3;
- (4) Recommend the 2021/22 fees and charges, as set-out in Appendix 1, for approval at the budget meeting of Full Council in February 2021.

1 Reason for Recommendation

- 1.1 The recommendations will enable the Council to meet its statutory duty to set a balanced budget for 2021/22.

2 Background

- 2.1 In February 2020, Full Council agreed the four year Medium Term Financial Strategy to 2023/24 (MTFS). The MTFS aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.

Strategy and Resources Committee

28 January 2021

- 2.2 Since the MTFs was produced, Covid-19 has had a major impact on the Council's services and finances. The financial impact has been reported to Strategy & Resources Committee, most recently on 22 September in the Budget Targets report, which identified a funding gap of £1.29m for 2021/22. To address the projected funding gap, Strategy & Resources agreed the following budget targets for 2021/22:
- 2.2.1 That estimates be prepared including the delivery of savings already identified in the Financial Plan for 2021/22 totalling £336,000.
 - 2.2.2 That estimates include options to reduce organisational costs by £1,290,000 subject to government grant announcement, in order to minimise the use of working balances and maintain a minimum working balance of £2.5 million in accordance with the medium term financial strategy.
 - 2.2.3 That at least £210,000 additional revenue is generated from an increase in discretionary fees and charges;
 - 2.2.4 That a provision for pay award is made of £408,000 that would allow for a 2% cost of living increase;
 - 2.2.5 That a £950,000 contingency is provided for within the 2021/22 budget to mitigate the potential impact of Covid-19 on the Council's finances in 2021/22.
 - 2.2.6 That officers are tasked in delivering a list of costed options that can be implemented to address any budget shortfall for 2021/22.
- 2.3 The figures in this report reflect the local government finance settlement for 2021/22.
- 2.4 The service estimates for this Committee are to be included in the draft Budget Book 2021/22 that will be made available to all Councillors.
- 2.5 Estimates have been prepared on the basis that all existing services to residents are maintained.
- 2.6 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.
- 2.7 For pay inflation, the budget includes a provision of £240,000, which represents a reduction of £160,000 from the original budget of £400,000. £190,000 of the provision is for pay progression, as eligible officers progress along their pay scale with experience, and £50,000 is for a 0.5% cost of living increase, in accordance with the Council's agreed four year pay policy to adjust pay by the preceding September CPI figure.

Strategy and Resources Committee

28 January 2021

- 2.8 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 2021/22.
- 2.9 The proposed tariffs are set out in Appendix 1 to this report.
- 2.10 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.
- 2.11 To allow the Council to determine the budget and Council Tax in February, the Committee estimates have been presented as follows:-
- 2.11.1 The Budget Book contains the service estimates for 2021/22.
- 2.11.2 All unavoidable cost increases and income reductions are reflected in the estimates.
- 2.11.3 Recommended increases to fees and charges have been included within the Budget Book and the income estimates.
- 2.11.4 All increases in charges are subject to approval by the Council.
- 2.11.5 Savings options are presented in Section 6.

3 Covid-19

- 3.1 Covid-19 has had a significant impact on the Council's income and expenditure. The impact will continue into next year and the Council's projected budget gap for 2021/22 is £631,000. To mitigate this budget gap, each Policy Committee is being presented with a number of savings options this month. Those options that are agreed will be incorporated into the budget submitted to Council in February.
- 3.2 Should a budget gap remain, after factoring in the agreed savings options, it is proposed that temporary funding should be allocated from the Corporate Projects Reserve and Flexible Housing Support Grant, in order to produce a balanced budget for 2021/22.
- 3.3 This approach will enable the Council to produce a balanced budget in the short term, while options are assessed for producing a sustainable, balanced budget in the medium term.

4 Revenue Estimates 2020/21

- 4.1 Before considering the revenue estimates for 2021/22, this section provides a summary of the forecast outturn for the current financial year.

Strategy and Resources Committee

28 January 2021

- 4.2 Variations identified with on-going effects have been taken into account in preparing next year's budget. Excluding Central Government support, the Council's probable revenue outturn at Q2 monitoring for all Committees in 2020/21 anticipates an overspend of £4.569m, as set out in the Q2 monitoring report and summarised by the following table:

Committee	2020/21		
	Current Approved Budget £'000	Q2 Forecast £'000	Variance £'000
Strategy & Resources	3,304	3,639	335
Environment & Safe Communities	2,503	4,433	1,930
Community & Wellbeing	6,605	8,449	1,844
BECC & Community Hub	0	460	460
Capital charges	(2,669)	(2,669)	0
Total budget requirement	9,743	14,312	4,569

- 4.3 To date, the Council has been allocated government grants totalling £1.018m, new burdens funding of £130k, and the Council expects to benefit from the government's income compensation scheme by £2.637m. The following table shows how this government support is projected to reduce the budget deficit to £0.78m, and how EEBC currently expects to fund this £0.78m:

2020/21	£'000
Projected Deficit Pre Government Support	4,569
Less Government Grant	(1,018)
Less Government Income Protection Scheme	(2,637)
Less MHCLG New Burdens Grant	(130)
Subtotal Projected Deficit Post Government Support	784
<u>Funding</u>	
Property Income Equalisation Reserve	(700)
Contingency Budgets	(84)
Subtotal Funding	(784)
Total	0

- 4.4 The probable outturn specifically for Strategy & Resources Committee for 2020/21 is an overspend of £335,000, which is shown in the following table. The key reasons for the major variances are explained in the subsequent paragraphs.

Strategy and Resources Committee

28 January 2021

Forecast Outturn by Service	Current Approved Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
<u>Strategy & Resources Committee</u>			
Democratic & Civic	695	695	0
Corporate Functions	605	588	(17)
Corp Financial Management	1,342	1,342	0
Tax Collection & Benefits	2,739	2,669	(70)
Land Charges	(1)	(1)	0
Land & Property	(2,342)	(1,623)	719
Economic Dev. & Prosperity	100	100	0
Employee and Support Services	166	(131)	(297)
Subtotal Strategy & Resources	3,304	3,639	335

- 4.5 Within Land and Property, back in April the Council agreed to allow those tenants, who requested and demonstrated a need for financial assistance, to defer making one quarterly payment to help alleviate cashflow problems, but with the expectation that the deferred amount would still be paid within 12 months.
- 4.6 It is hoped that the deferred rents will be recovered by year-end, however, it is prudent to highlight the risk of default and for the purpose of forecasting only, it is anticipated nearly £719k of the outstanding rents will not be paid.
- 4.7 Within Tax Collection and Employee and Support Services, the favourable variances are due to posts being held vacant and underspends on the corporate recruitment and training budgets, as Covid-19 restricted such activity during the year.
- 4.8 The Committee's probable outturn (estimated net expenditure) for 2020/21 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.

5 Proposals for 2021/22 Budget

- 5.1 The service estimates for 2021/22 are included in the draft Budget Book, circulated to Councillors in January.
- 5.2 A summary of the Committee's service estimates for 2021/22 is set out below:

Strategy and Resources Committee
28 January 2021

Strategy & Resources Committee	Published Budget 2020/21	Base Position 2021/22
	£000	£000
Democratic & Civic	685	692
Corporate Functions	616	601
Corporate Financial Management	1,373	2,211
Tax Collection & Benefits	2,731	1,374
Land Charges	-1	-1
Land and Property	-2,236	-2,301
Local Economy & Community Consultation	101	91
Employee & Support Services	549	436
Total Strategy & Resources	3,818	3,103

5.3 The following table comprises a summary of the main changes to the Committee's proposed budget for 2021/22 compared with the published budget for 2020/21.

STRATEGY AND RESOURCES COMMITTEE		BUDGET £'000
Published Budget 2020/21		3,818
Service Group	Change	
Land & Property	Additional net receipts from Council-owned investment properties	-138
Land & Property	Increase in statutory provision to repay debt acquired for commercial property	70
Land & Property	Reduction in income from EEPIC	-741
Land & Property	Contribution from the Property Income Equalisation Reserve	741
Corp Financial Management	Additional contingency for Covid-19 impact	950
Corp Financial Management	Net change in other corporate contingencies	-32
Corp Financial Management	Increased revenue contribution to capital schemes	100
Corp Financial Management	Reduction in pensions back-funding following triennial valuation	-96
Tax Collection & Benefits	Reduction in contribution to business rates reserve as the 2018/19 Surrey pilot impact ends	-1,380
Employee & Support Services	Reduction in corporate pay provision	-160
All	Other net changes	-29
Base Position 2021/22		3,103

Strategy and Resources Committee

28 January 2021

6 Savings Options for 2021/22

- 6.1 As set-out in paragraph 2.2, this Committee had agreed a Council-wide savings target of £1.29m to achieve a balanced budget for 2021/22.
- 6.2 Following the budgeting process and the announcement of the Local Government Finance Settlement for next year, the Council's budget gap has been reduced to £631,000 for 2021/22. However, mainly due to the one-off nature of some government funding within the finance settlement, the Council's projected budget gap still increases to £1.186m by 2023/24.
- 6.3 To address the remaining Council-wide budget deficit of £631,000 for 2021/22 and £1.186m by 2023/24, the Committee is asked to confirm whether the following savings options, set-out in the following table (and summarised in the subsequent paragraphs), are supported for inclusion in the budget to be submitted to Full Council in February:

Saving Option	Reference	Saving Amount (£000)
		2021/22
Review of Commercial Estate	A	53
Reduce Training Budget	B	6
Review of Town Hall	C	15
Review of Borough Insight	D	16
Review of Facilities Maintenance	E	19
Total Strategy & Resources		109

A. Review of Commercial Estate

- 6.4 Epsom benefits from two very vibrant industrial estates – Nonsuch and Longmead being two halves of one industrial area separated by the rail line. Various sites are owned freehold by the Council and let on long leases.
- 6.5 The lack of available sites on the Longmead and Nonsuch Estates, combined with the substantial increase in their value during the last decade, is resulting in very high rents now being achieved. With a number of significant rent reviews at Council-owned sites imminent, there is an upcoming significant opportunity in the near-term for the Council to generate additional income of £150k-£300k per annum from its existing industrial estate.
- 6.6 In its Medium Term Financial Strategy 2020-24, the Council had already budgeted to achieve additional income of £172k from these rent reviews. However, assuming the mid-point of the latest range will be achieved – £225k – will deliver additional savings of £53k per annum.

Strategy and Resources Committee

28 January 2021

B. Reduce Training Budget

- 6.7 The Corporate Training Budget is currently £66k per annum and equates to £217 per employee. This is already below average compared to benchmarked organisations, and reducing the budget will adversely impact on the Council's ability to offer an adequate L&D programme.
- 6.8 However, given the pressing need for savings, officers recommend that a 10% reduction in the training budget should be achievable, while still allowing the organisation to meet its minimum training requirements.

C. Review of Town Hall

- 6.9 There may be a short-term opportunity to increase the Town Hall income by letting additional space to the Police, who require more accommodation. Officers are currently in discussions to increase their space and depending on the amount of accommodation taken, could achieve an estimated £15k per annum additional income.

D. Review of Borough Insight

- 6.10 Residents currently receive three hard copy publications of Borough Insight each year at a budgeted cost of £24k. However, the budget for 2021/22 already factors in an £8k saving and a reduction to two copies per year (as per the MTFS).
- 6.11 If Borough Insight hard copy publications are ceased completely, the additional savings will increase to £16k per annum.

E. Review of Facilities Maintenance

- 6.12 Following the eradication of pest control issues at some sites, it is possible to remove some pest control services from the Churchill cleaning contract. This will generate an annual saving of £10k, without significantly impacting on service delivery.
- 6.13 In addition, officers have recently changed over water supplier, which is expected to generate annual savings of £9k per annum against the current £56k budget.
- 6.14 The Committee is asked to confirm that the savings options, A,B,C, D & E above, are supported for inclusion in the 2021/22 and 2022/2023 budget estimates, to mitigate the Council's projected budget gap.**
- 6.15 The Committee is also asked to support that any remaining budget gap for 2021/22 - after factoring in those savings agreed above and those savings agreed at other Policy Committees – should be funded from the Corporate Projects Reserve and Flexible Housing Support Grant, as set-out in section 3.

Strategy and Resources Committee

28 January 2021

7 Fees and Charges 2021/22

- 7.1 Fees and Charges within the remit of this Committee are set out in Appendix 1.
- 7.2 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.
- 7.3 Charges at the Town Hall for room hire and associated officer time fees have been raised between 2.3% and 4.0%. The budgeted income is £2,603.
- 7.4 A new £15 authentication service charge has been introduced within Legal Services for 2021/22. The charge is to cover the average administration cost to provide authentication services such as pension proof of life forms.
- 7.5 Increases to land charge tariffs are between 2.4% and 5.0%, with the only exception being personal search fees. Personal search fees remain at £0.60, which reflects that they had increased by 9.1% the previous year and remain rounded to the nearest 5p. The annual budget for land charges is £102,000.

8 Risk Assessment

Legal or other duties

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

Service	Risk	Budget Estimate 2021/22 £'000	Risk Management
Employee costs	Medium: Not achieving budgeted staff savings to meet the vacancy provision	Approx. 12,000	Recruitment management Salaries monitoring
Covid-19	High: Although vaccines are approved, Covid-19 will continue to impact the Council's services into	950	Inclusion of a £950k corporate contingency to mitigate impact of

Strategy and Resources Committee

28 January 2021

	next year, as the economy and society take time to return to a 'new normal'.		Covid-19 on income streams. Regular budget monitoring of impact Use of reserves if necessary.
Land and property rental income	Medium: Loss of tenants and commercial rentals	3,011 EEBC 600 EEPIC dividend income	Asset Management Plan – property and rent reviews Use of Property Income Equalisation Reserve

8.2 Crime & Disorder

8.2.1 None arising from the contents of this report.

8.3 Safeguarding

8.3.1 None arising from the contents of this report.

8.4 Dependencies

8.4.1 Other Policy Committees are also being presented with savings options to mitigate the Council's projected budget gap for 2021/22.

8.5 Other

8.5.1 None arising from the contents of this report.

9 Financial Implications

9.1 The draft Budget Book 2021/22 is highly detailed and therefore please can any questions or queries be sent to relevant officers in advance of this Committee meeting wherever possible.

9.2 **Section 151 Officer's comments:** Financial implications are contained within the body of this report.

10 Legal Implications

10.1 The Council will fulfil its statutory obligations to produce a balanced budget and to comply with its policy on equalities.

Strategy and Resources Committee

28 January 2021

10.2 Although there are no direct legal implications arising from this report, decisions taken about the budget will impact the services which can be delivered. In the event of any impact, there will need to be a equalities impact assessment in relevant cases.

10.3 **Monitoring Officer's comments:** None arising from the contents of this report.

11 Policies, Plans & Partnerships

11.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.

11.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

11.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.

11.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.

11.5 **Partnerships:** 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.

12 Background papers

12.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Budget Target Report to S&R Committee on 22 September 2020

Other papers:

- Draft 2021/22 Budget Book