

Environment and Safe Communities Committee
25 January 2022

REVENUE BUDGET 2022/23

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report sets out budget estimates for income and expenditure for Environment & Safe Communities services in 2022/23.

Recommendation (s)

The Committee is asked to:

- (1) recommend the 2022/23 service estimates for approval at the budget meeting of full Council in February 2022;**

1 Reason for Recommendation

- 1.1 The recommendations will enable the Council to meet its statutory duty to set a balanced budget for 2022/23.

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.
- 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 21 September in the Budget Targets report, which identified a funding gap of £1.6m by 2025/26. To mitigate the projected funding gap, Strategy & Resources agreed the following budget targets for 2022/23:

Environment and Safe Communities Committee

25 January 2022

- 2.2.1 That estimates be prepared including the delivery of savings already identified in the Financial Plan for 2022/23 totalling £342,000.
- 2.2.2 That at least £210,000 additional revenue is generated from an increase in discretionary fees and charges;
- 2.2.3 That a provision for pay award is made of £416,000 that would allow for a 2% cost of living increase;
- 2.2.4 That a £600,000 contingency is provided for within the 2022/23 budget to mitigate the potential impact of Covid-19 on the Council's finances in 2022/23.
- 2.2.5 That any new growth items (i.e. cost pressures) supported by Policy Committees will need to be fully funded from existing budgets.
- 2.3 The figures in this report reflect the provisional local government finance settlement for 2022/23.
- 2.4 The service estimates for this Committee are included in the draft Budget Book 2022/23 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 Where the Council incurs contractual inflationary uplifts, budgets have been adjusted accordingly. The budget also includes a central provision of £200,000 to mitigate any increased price inflation in excess of 2% next year.
- 2.7 For pay inflation, the budget includes a provision of £516,000, which represents an increase of £100,000 compared to the original £416,000 budget. £190,000 of the provision is for pay progression, as eligible officers progress along their pay scale with experience, and £326,000 is for a 3.0% cost of living increase, in accordance with the Council's agreed four year pay policy to adjust pay by the preceding September CPI figure (which was 3.1%), capped at 3.0%.
- 2.8 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. Proposals to achieve this have been included in a separate report on this agenda.
- 2.9 To allow the Council to determine the budget and Council Tax in February, the Committee estimates have been presented as follows:-
 - 2.9.1 The Budget Book contains the service estimates for 2022/23.
 - 2.9.2 All unavoidable cost increases and income reductions are reflected in the estimates.

Environment and Safe Communities Committee

25 January 2022

2.9.3 Recommended increases to fees and charges have been included within the Budget Book and the income estimates.

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

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 as a mitigation, the Council's budget includes a central £600,000 contingency for 2022/23.

3.2 Notwithstanding, the Council does have a projected budget deficit for 2022/23 – the quantum of which will be confirmed following the central government funding settlement in December. The deficit is due to be funded by reserves in the short term. However, ahead of 2023/24, the Council should plan to review and rebase its budgets to reflect post-Covid underlying expenditure and income streams, with the aim of removing the unsustainable reliance on reserves to fund the day-to-day revenue budget.

4 Revenue Estimates 2022/23

4.1 Before considering the revenue estimates for 2022/23, 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.

4.2 Excluding central government support, the Council's probable revenue outturn at Q2 monitoring for all Committees in 2021/22 anticipates an overspend of £2.668m, as set out in the Q2 monitoring report and summarised by the following table:

Committee	2021/22 Probable Outturn		
	Current Approved Budget £'000	Q2 Forecast £'000	Variance £'000
Strategy & Resources	2,285	2,077	(208)
Environment & Safe Communities	2,574	4,034	1,460
Community & Wellbeing	6,423	7,838	1,415
Capital charges	(2,669)	(2,669)	0
Total budget requirement	8,612	11,280	2,668

Environment and Safe Communities Committee

25 January 2022

- 4.3 The Council expects to benefit from the government's income compensation scheme by £0.506m. The following table shows how this government support is projected to reduce the budget deficit to £2.162m, and how EEBC currently expects to fund this £2.162m:

2021/22	£'000
Projected Deficit, Pre-Government Support	2,668
Less Government Income Protection Scheme	(506)
Projected Deficit, Post-Government Support	2,162
<u>Provisional Funding</u>	
Corporate Contingency for Covid-19	(950)
Corporate Projects Reserve	(329)
General Fund Balance	(883)
Subtotal Funding	(2,162)
Total	0

- 4.4 The probable outturn specifically for Environment & Safe Communities Committee for 2021/22 is an adverse variance of £1.46m, which is shown in the following table. The key reasons for the major variances are explained in the subsequent paragraphs.

Forecast Outturn by Service	Current Approved Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
<u>Environment & Safe Communities Committee</u>			
Vehicle Parking	(2,095)	(1,123)	972
Environmental Services	3,608	3,710	102
Planning & Building Control	774	1,141	367
Community Safety	93	92	(1)
Environmental Health	194	214	20
Total Environment & Safe Communities	2,574	4,034	1,460

- 4.5 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 2021.

Environment and Safe Communities Committee

25 January 2022

- 4.6 Car park visitor numbers have yet to recover to pre-Covid levels. The parking income forecast has been based on the six months to September, with an assumption that usage will increase by 25% for the rest of the financial year. The result is a projected £972k under-recovery of income, as follows: Epsom Surface Car Parks (£149k); Ashley Centre (£653k); Atkins (£23k); Hook Road (£110k); Ewell Car Parks (£28k); On Street Parking (£9k).
- 4.7 Domestic Waste is forecasting a £123k adverse variance. Fuel costs have recently increased and are predicted to reach a ten-year high, resulting in a £39k adverse variance to budget. Furthermore, increased agency costs are expected due to staff on long-term sickness and cover for several vacancies within the team. These adverse variances are offset by a £23k favourable variance forecast for Bulky Waste collection.
- 4.8 The Building Control Service is forecasting a £137k adverse service following the retirement of two staff members and difficulties recruiting new staff. A new service delivery model is being pursued and has been factored into the 2022/23 revenue budget estimates.
- 4.9 Since the pandemic began, the Development Control service has seen a decrease in income, forecast as a £185k adverse variance in 2021/22. Further adverse variances relating to planning appeals and legal fees result in a total adverse variance of £229k for the service.

5 Proposals for 2022/23 Budget

- 5.1 The Committee's revenue estimates for 2022/23 are included in the draft Budget Book 2022/23, circulated in January, and a summary of these is set out below:

Environment & Safe Communities Committee	Published Budget 2021/22	Base Position 2022/23
	£000	£000
Vehicle Parking	(2,144)	(2,215)
Environmental Services	3,468	3,342
Planning & Building Control	735	850
Community Safety	91	93
Environmental Health	158	204
Total Environment & Safe Communities	2,308	2,274

- 5.2 The following table comprises a summary of the main changes to the Committee's proposed budget for 2022/23 compared with the published budget for 2021/22:

Environment and Safe Communities Committee
25 January 2022

ENVIRONMENT AND SAFE COMMUNITIES COMMITTEE		BUDGET £'000
Published Budget 2021/22		2,308
Service Group	Change	
Vehicle Parking	Increase in fees and charges income	(135)
Vehicle Parking	Inflationary increase on contracts	18
Vehicle Parking	Change in pay & support service recharges	46
Environmental Services	Waste service efficiency saving	(100)
Environmental Services	Increase in garden waste income	(21)
Environmental Services	Increase in bulky waste income	(15)
Environmental Services	Decrease in trade waste income	25
Environmental Services	Decrease in trade waste gate fees	(34)
Environmental Services	Increase in fuel costs	46
Environmental Services	Change in Waste pay & support service recharges	42
Environmental Services	Increase in market income	(3)
Environmental Services	Decrease in verge cutting costs	(67)
Planning & Building Control	Increase in planning fees and charges income	(5)
Planning & Building Control	Increase in planning staff to increase resilience	151
Planning & Building Control	Removal of consultancy budget	(17)
Planning & Building Control	Increase in use if CIL admin fee receipts	(22)
Planning & Building Control	Removal of in-house building control costs and income	(84)
Planning & Building Control	Provision of building control external service	90
Environmental Health	Increase in fees and charges income	(24)
Environmental Health	Change in pay & support service recharges	13
Environmental Health	Removal of Covid support grant	57
Various	Sundry variances	5
Base Position 2022/23		2,274

6 Risk Assessment

Legal or other duties

6.1 Impact Assessment

Environment and Safe Communities Committee

25 January 2022

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

Service	Risk	Budget Estimate 2022/23 £'000	Risk Management
Off Street Car Parking	High: Income from off street car parks has been heavily impacted by the pandemic.	Total Budgeted Income £4,449k 5% change affects income by £222k 25% change affects income by £1.1m.	Monthly monitoring and work analysing individual car park performance against target will be undertaken to establish an appropriate level of income for the Council's car parks post-Covid for future budget setting activities.
Operational Services	Medium: The service is reliant on fuel and therefore susceptible to price rises.	Fuel budget across Op Services is £268k 10% rise would increase costs by £27k	Fuel budgets across the Council have been increased by £50k for 2022/23. Officers will continuously monitor fuel costs and reduce consumption where possible.
Trade Waste	Medium: Income has been impacted by Covid which could be further disrupted in 21/22. Gate fees for trade waste are outside EEBC control and are liable to increase.	Total budgeted income £550k 10% change affects income by £55k. Budgeted gate fees are	The income and gate fee budgets have been reduced for 2022/23 to align them more closely to 2021/22 actuals. Officers will monitor income and costs throughout the year.

Environment and Safe Communities Committee
25 January 2022

		£277k 10% rise would increase costs by £28k.	
Development Control	Medium: The uncertainty of single, large applications can impact significantly on income. Planning Performance Agreements and preapplications are dependent upon demand for development in the borough.	Total Budgeted Income £614k 10% change affects income by £61k.	The service is working to improve its capacity for pre-application and Planning Performance Agreements. Also monthly monitoring including analysing income against target continues.

6.2 Crime & Disorder

6.2.1 None arising from the contents of this report.

6.3 Safeguarding

6.3.1 None arising from the contents of this report.

6.4 Dependencies

6.4.1 A Committee Terms of Reference Review is due to be presented to Full Council in February. Should any service areas transfer between Environment & Safe Communities and other Policy Committees, the associated budgets will also be transferred accordingly at the appropriate time.

6.5 Other

6.5.1 None arising from the contents of this report.

7 Financial Implications

7.1 The draft Budget Book 2022/23 is highly detailed and therefore please can any questions or queries be sent to relevant officers in advance of this Committee meeting wherever possible.

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

Environment and Safe Communities Committee

25 January 2022

8 Legal Implications

- 8.1 The Council will fulfil its statutory obligations to produce a balanced budget and to 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.
- 8.3 **Legal Officer's comments:** None arising from the contents of this report.

9 Policies, Plans & Partnerships

- 9.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 9.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 9.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.
- 9.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.
- 9.5 **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.

10 Background papers

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

Previous reports:

- Budget Target Report to S&R Committee on 21 September 2021.

Other papers:

- Draft 2022/23 Budget Book.