

REVENUE BUDGET 2017/18

Report of the: Director of Finance and Resources
Contact: Kathryn Beldon/ Lee Duffy
Urgent Decision?(yes/no) No
If yes, reason urgent decision required: N/A
Annexes/Appendices (attached): None
Other available papers (not attached): Budget Targets Report 25 October 2016

REPORT SUMMARY

This report sets out estimates for income and expenditure on services in 2017/18.

RECOMMENDATION (S)

That the Committee recommends the 2017/18 service estimates for approval at the budget meeting of the Council on 14 February 2017.

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 and Efficiency Plan.
- 2.3 The overall Council revenue budget target for 2017/18 was agreed by Strategy & Resources Committee on 27 September 2016 as follows:-
- Estimates are prepared including options to reduce organisational costs by £556,000 to minimise the use of working balances and maintain a minimum working balance of £2.5m in accordance with the medium term financial strategy;
 - That at least £200,000 in additional revenue is generated from an increase in discretionary fees and charges, based on minimum overall increase in yield of 3% in 2017/18;
 - That a provision for 2017/18 pay award is made of £180,000 which represents 1% pay increase and 0.6% progression;
 - That further efficiencies be identified to address the budget shortfalls of £220,000 in 17/18, £374,000 in 18/19 and £688,000 in 19/20;
 - 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.
- 2.4 The figures in this report are final and are representative of the the local government finance settlement. 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 2017/18 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.
- 3.2 No general allowance has been made for price inflation. Where increased costs are unavoidable efficiency savings have been identified to offset the additional costs.
- 3.3 The Council agreed a target to increase overall income from locally set fees and charges by a minimum of 3%, 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.

3.4 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 2017/18.
- 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 2017/18

4.1 Before considering estimates for 2017/18 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 probable revenue outturn for all Committees in 2016/17 anticipates an underspend of £96,000. This would effectively mean a contribution to working balances at year end of £96,000, assuming that this level of underspend continues through to the end of the financial year at 31 March 2017. The Council's working balance currently stands at £3,171,000 before any further contribution is made.

4.3 The probable outturn specifically for the Environment Committee only for 2016/17 is an overspend of £119,000 and this is highlighted in the table below in paragraph 4.6. The key reasons for the major variances are explained in the paragraphs that follow the table.

4.4 As can be seen from the table, this Committee is forecasting some significant adverse variations due to a shortfall in planning fee income, building control fees, and cemetery income. This overspend has been addressed by officers in the 2017/18 budget. However, it should be noted that the planning income and building control income is dependent on applications and exposed to the volatility of external market forces.

4.5 The Committee's probable outturn (estimated net expenditure) for 2016/17 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:

| SERVICE GROUP | PUBLISHED BUDGET 2016/17 | CURRENT APPROVED BUDGET 2016/17 | PROBABLE OUTTURN 2016/17 | VARIATION FROM CURRENT BUDGET |
|-----------------------------|---|--|---|--|
| | £'000 | £'000 | £'000 | £'000 |
| Car Parking | (2,009) | (2,019) | (2,123) | (104) |
| Environmental Services | 2,577 | 2,734 | 2,775 | 41 |
| Highways | 445 | 449 | 452 | 3 |
| Planning & Building Control | 686 | 646 | 825 | 179 |
| Community Safety | 122 | 122 | 122 | 0 |
| Total | 1,821 | 1,932 | 2,051 | 119 |

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 2016. This Committee's probable outturn for 2015/16 is £119,000 more than the current approved budget. The main reasons for the variations are detailed below:-

4.8 Car Parking (£104k favourable) - Increased car parking income is anticipated from an increase in demand at Hook Road and Hope Lodge which is offsetting lower demand at Ashley Road and an increase in demand totalling. There is also additional income anticipated from On Street PCN income in excess of the budget

4.9 Environmental Services (£41k adverse) - Cemetery income shows an adverse variance against budget at the end of December which is attributable to a shortfall of income. This is anticipated to result in an overspend of £41k at year end. However this budget is affected by seasonal factors and could reduce in the final quarter.

4.10 Planning and Building Control (£179k adverse) - This results from a projected shortfall in Planning Fee income and Building Control Fee Income at the end of December. This could reduce depending on the level of demand experienced during the final quarter however external factors such as Brexit have meant that new development is slow.

5 Budget Proposals 2017/18

5.1 The service estimates are included in the draft Budget Book 2017/18, circulated to Councillors in January.

5.2 A summary of the Committee's revenue estimates for 2017/18 is set out below:

| SERVICE GROUP | PUBLISHED BUDGET 2016/17 | BASE POSITION 2017/18 |
|-----------------------------|---|--------------------------------------|
| | £'000 | £'000 |
| Car Parking | (2,009) | (1,997) |
| Environmental Services | 2,746 | 2,654 |
| Highways | 445 | 424 |
| Planning & Building Control | 686 | 674 |
| Community Safety | 122 | 122 |
| Total | 1,990 | 1,877 |

5.3 The following table comprises a summary of the main changes to the Committee's proposed budget 2017/18 compared with the published budget for 2016/17.

| ENVIRONMENT COMMITTEE | BUDGET £'000 |
|--|-------------------------|
| Published Budget 2016/17 | 1,990 |
| Increased income from car park fees and charges | (112) |
| Increase in Business Rates costs upon Car Parks | 124 |
| Increase in cost of transport insurance | 22 |
| Increased computer and communications costs | 30 |
| Savings in contractual expenditure | (60) |
| Increase in Market Income | (3) |
| Increased income from Development and Building control | (42) |
| Variation in Plan E Scheme funding | 22 |
| Reduced grant from Surrey County Council | 64 |
| Increase in Cemetery income | (14) |
| Increased income from Licensing & Environmental Health | (14) |
| Variations in Domestic/Trade Refuse fees and charges | (109) |

| | |
|--|--------------|
| Variations in Waste Services recycling credits | 66 |
| Variation in pay, pension (IAS19) & support service recharges* | (85) |
| Other variations | (2) |
| Base Position 2017/18 | 1,877 |

* 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.

- 5.4 Detailed budget changes are shown in the Budget Book pages.
- 5.5 Operational / efficiency savings towards the Medium Term Financial Strategy and Efficiency Plan that were agreed by this Committee on 25 October 2015 have been included within the base position. The base position also includes changes identified by officers to reduce organisation costs.
- 5.6 The fees and charges report on this agenda identifies areas where additional income can be generated.
- 5.7 The following comprises a summary of the impact of the proposed fees and charges for services.

| Service | Additional Income £'000 |
|----------------------------------|------------------------------------|
| Vehicle Parking | 112 |
| Markets | 3 |
| Domestic/Trade Refuse | 109 |
| Licensing & Environmental Health | 14 |
| Cemeteries | 14 |
| Development and Building Control | 10 |
| Total | 262 |

6 Financial and Manpower Implications

- 6.1 Consultation processes will be progressed should operational changes affect staffing levels or staff duties.
- 6.2 Any questions or queries with the Budget Book 2017/18 should be sent to relevant Officers in advance of this Committee meeting.
- 6.3 **Chief Finance Officer's comments:** *The financial implications are set out within the body of this report.*

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 legal implications arising directly from this report.*

8 Sustainability Policy and Community Safety Implications

8.1 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.

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 2017/18 | 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 £3,846k 1% change would reduce income by £38k 5% change would reduce income by £192k | 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. | £1,706k net budget Income and expenditure is sensitive to many variables such as transport, tipping | Monthly monitoring of income against target. Officers negotiate, where possible, to fix the prices and optimise income. |

| Service | Risk | Budget Estimate 2017/18 | Risk Management |
|----------------------------|---|---|---|
| | Fuel cost rise increases the cost of providing the services. | charges and recycling credit. 5% adverse change in income would be £85k. | 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. | £327k 10% reduction would result in £33k 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 | £443k 10% reduction would result in £44k 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. | £100k Contribution from SCC | Review of expenditure relating to highways agency spend to ensure full costs funded by SCC. |

11 Conclusion and Recommendations

11.1 The Committee is asked to agree the service revenue estimates as set out in the draft Budget Book 2017/18

11.2 The Council will consider the budget at its meeting on 14 February 2017.

WARD(S) AFFECTED: All