

## Revenue Budget 2018/19

<b>Report of the:</b>	Chief Finance Officer
<b>Contact:</b>	Lee Duffy
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	N/A
<b>Annexes/Appendices (attached):</b>	None
<b>Other available papers (not attached):</b>	Budget Target Report 10 October 2017 Medium Term Financial Strategy Efficiency Plan Service Plan Corporate Plan Fees and Charges Report

### Report Summary

**This report sets out estimates for income and expenditure on services in 2018/19.**

### Recommendation (s)

**That the Committee recommends the 2018/19 service estimates for approval at the budget meeting of the Full Council on 20 February 2018.**

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

- 1.1 The Medium Term Financial Strategy (MTFS) and Efficiency Plan aim 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 targets designed to maintain a balanced budget.

## **2 Background**

- 2.1 Government reductions to the revenue support grant, 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.

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- 2.2 The recommendation in this report is consistent with the Council's four year MTFS and Efficiency Plan for 2016/17 to 2019/20.
- 2.3 The overall Council revenue budget target for 2018/19 was agreed by Strategy & Resources Committee on 26 September 2017 as follows:-
- Estimates should include options to reduce organisational costs by £588,000 in order to minimise the use of working balances and maintain a minimum working balance of £2.5m in accordance with the MTFS;
  - That at least £200,000 in additional revenue be generated from an increase in discretionary fees and charges, based on a minimum overall increase in yield of 3% in 2018/19;
  - That a provision for 2018/19 pay award be made of £228,000 which represents an increase in the staffing budget of 1.5%;
  - That further efficiencies be identified to address the budget shortfalls of £90,000 in 2018/19, £577,000 in 2019/20 and £791,000 in 2020/21;
  - That the Capital Member Group seeks to limit schemes included within the capital expenditure programme in order to retain the agreed minimum level of capital reserves.
- 2.4 At the subsequent Strategy and Resources Committee meeting of 28 November 2017, members agreed to increase the 2018/19 pay award provision to £246,000.
- 2.5 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.
- 2.6 The service estimates for this Committee are to be included in the draft Budget Book 2018/19 that will be 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 for price inflation has been utilised for the revenue estimates 2018/19. However, where the Council incurs contractual inflationary uplifts, budgets have been adjusted accordingly. .
- 3.3 For pay inflation, a budgeted increase £246,000 has been allowed for within the MTFS, as agreed by the Strategy & Resources Committee on 28 November 2017.

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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 3%, after making allowance for any further changes in service. Proposals have been included in a separate report on this agenda. 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.
- 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 2018/19.
  - 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 the revenue estimates for 2018/19, 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 The Council's probable revenue outturn for all Committees in 2017/18 anticipates an underspend of £45,000, as at Q2 monitoring. This would effectively mean a contribution to working balances at year end of £45,000, assuming this level of underspend continues through to 31 March 2018. The Council's working balance currently stands at £3,333,000 before any further contribution is made.
- 4.3 The probable outturn specifically for the Environment Committee only for 2017/18 is an adverse variance of £233,000 at Q2 monitoring, which is shown in the following table. The key reasons for the major variances are explained in the subsequent paragraphs.

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Service Group	Published Budget 2017/18	Current Approved Budget 2017/18	Probable Outturn 2017/18	Variation from Current Budget
	£'000	£'000	£'000	£'000
<b>Parking</b>	(1,996)	(1,940)	(1,962)	(22)
<b>Environmental Services</b>	2,954	2,943	3,001	58
<b>Planning &amp; Building Control</b>	674	649	796	147
<b>Community Safety</b>	121	116	123	7
<b>Environmental Health</b>	125	125	168	43
<b>Total</b>	<b>1,878</b>	<b>1,893</b>	<b>2,126</b>	<b>233</b>

4.4 The current approved budget in the table above represents the published budget updated with authorised transfers of funds since the budget was approved in February 2017.

4.5 This Committee's probable outturn for 2017/18 is £233,000 higher than the current approved budget. The main reasons for the variations are detailed below:

4.5.1 Building control is forecasting a £77k adverse variance as a result of fee income forecast to be under budget, due to the Council (as with other LAs) losing market share to external Approved Inspectors. The draft 2018/19 budget has been adjusted to reflect potentially recurring lower income levels.

4.5.2 Development Management is forecasting an adverse variance as a result of an estimated £60k of additional costs arising from the Aldi appeal. These costs include legal fees and other professional advice given during the public enquiry.

4.5.3 A drop of £24k in market income is projected. This appears to be an adverse impact of Plan E works. The site office and materials storage is situated in the market and fewer traders are taking up space in anticipation of the disruption that the works may cause.

4.5.4 Cemetery Services are forecasting a £50k adverse variance as a result of burial and memorial income projections falling below budget. There have been 17 fewer burials this year compared to the same period last year.

4.5.5 The outturn forecasts are all based on the quarter two budget monitoring reports used by all Managers.

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### 5 Budget Proposals 2018/19

5.1 The service estimates are included in the draft Budget Book 2018/19, circulated to Councillors in January.

5.2 A summary of the Committee's revenue estimates for 2018/19 is set out below:

<b>SERVICE GROUP</b>	<b>PUBLISHED BUDGET 2017/18 £'000</b>	<b>BASE POSITION 2018/19 £'000</b>
<b>Parking</b>	(1,996)	(1,989)
<b>Environmental Services</b>	2,954	3,084
<b>Planning &amp; Building Control</b>	674	609
<b>Community Safety</b>	121	101
<b>Environmental Health</b>	125	146
<b>Total</b>	<b>1,878</b>	<b>1,948</b>

5.3 The following table comprises a summary of the main changes to the Committee's proposed budget 2018/19 compared with the published budget for 2017/18.

<b>ENVIRONMENT COMMITTEE</b>	<b>BUDGET £'000</b>
<b>Published Budget 2017/18</b>	<b>1,878</b>
Variation in pay, pension (IAS19) & support service recharges *	164
Increased income from car park fees and charges	(133)
Decrease Building Control income budget	30
Decrease cemetery income	34
Cemetery ground maintenance brought in-house	(61)
Increase in NDR for Car parks	104
Cessation of SCC funding for verge cutting	36
Christmas decorations	16
Impact of SCC waste collection and recycling changes – increased costs	64
Impact of SCC waste collection and recycling changes – decreased income	47
Net increase in garden waste income	(18)
Increase in planning fees	(78)
Reduction in Planning Inspectorate fees	(97)

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Advertising for Big Switch no longer required	(60)
Increase in purchase of wheelie bins	68
Reduction in CCTV costs	(16)
Decrease in insurance costs	(16)
Increase in licensing fees and charges	(14)
<b>Base Position 2018/19</b>	<b>1,948</b>

- 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 Further information on the detailed budget changes are also shown in the Budget Book pages which will be available for Council Members.
- 5.6 Operational / efficiency savings towards the MTFs and Efficiency Plan that were agreed by the Strategy & Resources Committee on 26 September 2017 have been included within the base position. The base position also includes changes identified by officers to reduce organisation costs.
- 5.7 There is a separate Fees and Charges report also on this agenda which identifies areas where extra income can be generated for this Committee, however it should be noted that the overall level of fees and charges for this Committee is very limited and there are only minor increases in comparison to the current year.

## 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 2018/19 should be sent to relevant Officers in advance of this Committee meeting.
- 6.3 **Chief Finance Officer's comments:** *Financial implications are contained 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.*

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### 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 2018/19 £'000	Risk Management
<b>Off Street Car Parking</b>	<b>Medium to High</b> Income from off street car parks is exposed to adverse weather and economic conditions that can have significant effect on outturn. Plan E traffic works may also impact carpark usage.	Total Income £3,979k 1% change would affect income by £40k 5% change would affect income by £199k	Monthly monitoring and work analysing individual car park performance against target.
<b>Domestic and Trade Waste Collection</b>	<b>Medium to High</b> 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.	£1,677k net budget Income and expenditure is sensitive to many variables such as transport, tipping charges and recycling credit. A 5% adverse change in income would cost £84k.	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.

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Service	Risk	Budget Estimate 2018/19 £'000	Risk Management
<b>Cemetery</b>	<b>Medium</b> Current estimates are that lawn burial section will be full by October 2018 and may result in people choosing cremation over more expensive burial plots. It will also require the suspension of the sale of future use graves until the expansion is complete in 2019/20.	Total Income £451k £240k is from burial rights, of which a significant proportion is for future use graves.	Income targets have been reduced for 2018/19 and increases to fees and charges held at a minimum level.
<b>Building Control</b>	<b>Low to Medium</b> Private competition has impacted on the service in recent years with the market difficult to predict.	£297k income budget A 10% reduction would result in £30k shortfall against income budget	Monthly monitoring including work analysing income against target.
<b>Development Control</b>	<b>Low to Medium</b> Single large applications can impact significantly on income.  New fees and charges so volume based on estimate	£521k income budget A 10% reduction would result in £52k shortfall of income	Monthly monitoring including work analysing income against target.

- 10.2 A further risk has arisen following a recent DCLG consultation on proposed changes to Minimum Revenue Provision (MRP) guidelines. MRP is an annual charge against the general fund, to ensure resources are set-aside to repay any borrowing incurred for capital purposes. The consultation ended on 22 December 2017 and the outcome is not yet published. DCLG proposed in the consultation that, for directly owned assets, Local Authorities should spread MRP charges over a maximum of 40 years for buildings and 50 years for land from 2018/19.



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- 10.3 Existing guidelines do not mandate a maximum term and EEBC currently spreads its MRP charges over 50 years. If implemented in its current form, the proposed change could increase the annual MRP charge at EEBC, and indeed at many other Local Authorities.
- 10.4 Officers will continue to monitor the DCLG's proposals and, once formalised, any changes will be incorporated into the Treasury Management Strategy presented to S&R Committee in April.

### **11 Conclusion and Recommendations**

- 11.1 The Committee is asked to agree the service revenue estimates as set out in the draft Budget Book 2018/19
- 11.2 The Council will consider the budget at its meeting on 20 February 2018.

**Ward(s) Affected: (All Wards);**