

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

8b

Report Title	GENERAL FUND REVENUE ESTIMATES – REVISED 2018/19 AND ORIGINAL 2019/20
Purpose of Report	To present to the committee the revised estimates for 2018/19 and original estimates for 2019/20.
Decision(s)	The Committee RECOMMENDS: The estimates set out in the report be considered and approved for inclusion in the General Fund Revenue Budget 2019/20 and Medium Term Financial Plan report to Council elsewhere on this agenda.
Consultation and Feedback	<ul style="list-style-type: none"> • Budget holders on budgets and savings. • Residents and Business telephone surveys (as presented to a members seminar on the 7 December). • Budget workshops for Chairs & Vice Chairs of service committees and Administration group leaders.
Financial Implications & Risk Assessment	<p>The estimates have been incorporated into the Council's Medium Term Financial Plan (MTFP) presented to this committee.</p> <p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Legal Implications	<p>This report forms part of the formal budget setting process along with other reports on this Agenda. Financial advice and guidance is included in these reports for Members' reliance in decision-making.</p> <p>Nicola Swan, Interim Head of Legal & Monitoring Officer Tel: 01453 754369 Email: nicola.swan@stroud.gov.uk</p>
Report Author	<p>David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk</p>
Options	The Administration is considering its budget options at the Strategy and Resources Committee meeting on 17 January 2019. Council will consider the overall budget position for 2019/20 on 24 January 2019.
Performance Management Follow Up	Budget monitoring reports are presented to Committee in September and February/March each year. Members will be informed of the outturn position for 2018/19 at the Strategy and Resources Committee meeting in April 2019.

Background Papers and Appendices	None
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Background

1. The Budget Strategy report to Strategy and Resources Committee in October 2018 set out the way in which the Council would approach setting budgets for the forthcoming financial year.
2. Members will be aware from both the 2018/19 budget and MTFP (approved in January 2018) and the Budget Strategy reports, the Council is facing a number of financial challenges in 2019/20 and future years. A budget deficit has been forecast in the latter part of the medium term due to anticipated reductions in the level of government funding, and inflationary and cost pressures across the Council's services. The service committee's revenue budgets have been prepared in accordance with the budget framework set out in the Budget Strategy report.
3. Community Services and Licensing, Environment, and Housing committees considered their revenue and capital budgets at their meetings in December 2018. Paragraphs 14 to 16 provide an overview of the budget changes consolidating the revenue and capital estimates to provide the overall General Fund service revenue budgets for 2018/19 and 2019/20.
4. **Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate service manager before the meeting.**

STRATEGY AND RESOURCES COMMITTEE BUDGETS

Revenue Budget position

5. The net General Fund service revenue budget for 2018/19, approved by Council in February 2018, was £16.769m (£16.503m + £0.266m of IT Software Contingency) and including support charges has now been revised to £17.870m.
6. The original budget for Strategy and Resources Committee was £6.212m. This is then used as the base budget for the 2018/19 revised estimates and 2019/20 original estimates, incorporating changes arising from unavoidable inflationary cost pressures, budget pressures and efficiency savings. These estimates have only changed from the original budget approved in February 2018, as a result of items reported to the committee in budget monitoring reports.
7. Indicative revenue budgets were included in Appendix A of the October budget monitoring report and were based upon assumptions and known changes at the time. Budgets presented in this report will differ as a result of more detailed work undertaken by budget holders/finance team etc. The original estimate of the Strategy and Resources Committee Budget for 2019/20 is **£6.542m, an increase of £330k** on the base budget. This is largely due to the following significant budget changes:
 - Technical adjustments of **£326k** and in year virements **(£135k)** (para 9)
 - Pay inflation **£63k** and Non-pay inflation of **£50k** (para 10)
 - Budget pressures of **£323k** (para 11 and table 2)
 - Budget and efficiency savings of **(£63k)** (para 11 and table 2)

- Insurance savings of **(£25k)** as a result of a review of the insurance requirements of the Council undertaken in April and May prior to the full retender over the summer
 - Workforce planning savings of **(£266k)** (para 12)
8. Table 1 provides a summary of the changes to the 2018/19 and 2019/20 estimates. A more detailed breakdown of the service committee budget is set out in Appendix A. (these figures are shown net of depreciation, support charges and LGPS pension adjustment). Technical adjustments and other changes are set out in more detail in the body of the report below, with the budget & efficiency savings detailed in Table 2.

Table 1 – Summary of changes from the 2018/19 Original Budget

	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Strategy and Resources Committee			
[a] Original Budget	6,212	6,240	6,240
[b1] In-year virements			(135)
[b2] Technical Adjustments		(25)	326
[c] Reversal of Prior-year Budget Proposals			
[d] Pay Inflation 2019/20			63
[e] Price & Income Inflation			50
Base Budget	6,212	6,215	6,544
[f] Previous Policy Decisions			
[g] Budget Pressures			323
[h] Efficiency Savings			(63)
[i] WFP Savings			(266)
[j] Recharge Adjustment *			29
[k] Insurance Adjustment			(25)
Net Service Revenue Expenditure Budget	6,212	6,215	6,542

(Table may contain roundings)

9. Technical adjustments/In year virements

Technical adjustments and in-year virements include centralisation of service software budgets to ICT (across all committees) and alignment of budgets to agreed establishment structures. 2018/19 1% salary inflationary catch up, re-structuring changes to budgets across the committees following the workforce plan review and re-distribution of the building maintenance budget according to the proposed schedule of works with each committee.

10. Inflation

d) Pay Inflation

The 2019/20 salary budgets have been increased by an initial 2% in line with budget strategy.

e) Price inflation

Gas and electricity supplies have seen a significant inflationary increase due to the renewal of both contracts from the beginning of October. Software budgets have been increased by CPI in line with budget strategy.

11. Budget Pressures & Efficiencies

Table 2 provides a detailed overview of the budget pressures and efficiencies for 2018/19 and 2019/20, which have been incorporated into the General Fund budget.

Budget Pressures include additional budget of **£323k** (as per Table 2). The most significant element of the budget pressures for the 2019/20 original budget include the amount forecast on the MTFP approved by Council in February 2018 for the pension lump sum budget of £203k.

Other budget pressures relate to an additional post required in IT (Infrastructure Developer) and pressures around costs and income for some of the Council's Assets.

There are two efficiency savings – a reduction in the Internal Audit fee of 10% (£13k) in-line with a reduction in the number of planned audit days from 2018/19, and an anticipated increase in car park tariffs of £50k in-line with the 2018/19 MTFP and Savings Plan.

Table 2 – Budget Pressures and Efficiency Savings

Type	Service	Description of Efficiency or Budget Pressure	2018/19 (£'000)	2019/20 (£'000)
BP	ICT	Additional Infrastructure Developer post and Restructure of current establishment		75
BP	Marketing	Regrade of Corporate Communications Manager and re-allocation from HRA of Communications Officer post		40
BP	Investment Assets	Littlecombe Units - Utilities and rates		13
BP	Misc Properties	Old Town Hall - Loss of income and service charge		33
BP	Various	2019/20 MTFP - Employers Pension contributions (as reflected in the January 2018 MTFP)		203
BP	Ebley Mill	Building cleaning to be re-allocated as part of the MSC contract pressure across all Committees		-41
		Subtotal - Pressures		323
ES	Finance	Reduction in the Internal Audit fee (10%) following a reduction of 51 audit days in the 2018/19 Internal Audit Plan		-13
ES	Car Parks	Planned increase in car park tariffs (as reflected in the January 2018 MTFP and Savings Plan)		-50
		Subtotal - Efficiencies		-63
		Total Strategy & Resources Pressures and Efficiencies		260

12. Workforce Plan

Workforce plan phase 2 reviews that have been completed and implemented for the services listed below for this Committee. The table below outlines the net post reductions across these services. Please note that most of these reductions will impact over several committees.

Number of net post reductions

Phase 2 WFP	Net post reductions
Human Resources	-2
Community Services	-7
Regeneration	-3
Posts given up at budget setting (legal, property services and finance)	-4

At the time of writing this report, Phase 3 of the Workforce is underway. Planned service reviews which affect this Committee include Finance, Marketing, ICT and Car Parks. There may be may some future impact on Strategy and Resources Committee budgets when these have completed.

13. Insurance/Recharge Adjustment/Support Service recharges

The cost of insurance has reduced from the start of a new contract in October 2018. This has led a small reduction in the budgets for this committee in 2019/20 of £25k when compared to the base budget for 2018/19.

The net recharge adjustment increase of £29k reflects the revised apportionment of Corporate Management and Democratic Representation and Management costs between the General Fund and Housing Revenue Account.

CAPITAL

14. Table 5 below outlines the capital schemes that the committee is responsible for. The budget monitoring report to committee in October 2018 set out some changes to the budget profile of the Brimscombe Port capital scheme, and the removal of the Merrywalks Redevelopment (Commercial Loan) capital scheme. These changes have been reflected in the table below.

15. The only new capital scheme is £109k for required works to the windows at Ebley Mill. This can be funded from the capital reserve. The only other change is the removal of the Housing Initiatives capital budget. This is covered in more detail in the MTFP report to this committee.

Table 5 – Capital schemes 2018/19 and 2019/20 (Strategy and Resources Committee only)

Strategy and Resources Capital Schemes	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Revised Estimate (£'000)
Financial Systems	-	-	-
Housing Initiatives	600	-	-
Brimscombe Port Redevelopment	1,600	311	166
MSCP Repairs and Maintenance	120	120	-
Merrywalks Redevelopment (Commercial Loan)	-	-	-
ICT Investment Plan	400	400	500
Ebley Mill Works		109	
Littlecombe Business Units	100	-	-
Subtotal Strategy & Resources	2,820	940	666

COMMUNITY SERVICES & LICENSING, ENVIRONMENT, HOUSING (GF) REVENUE ESTIMATES

16. Community Services comments

The most significant change to the budget in 2019/20 is an increase in the level of budgeted income for The Pulse, Dursley (£285k). The Pulse continues to maintain a large presence within the local community. Additional investment has been made into this year's marketing activities in order to reach a wider and broader audience which has helped increase our market share in the local area.

Other changes to the budget include savings arising from the Workforce Plan, and the budget saving from the closure of the Joint Use Sports Centres in 2018/19.

17. Housing GF comments

A proposed increase of £45k would bring the total General Fund housing revenue budget to £552k in 2018/19. The proposed original budget for 2019/20 is £540k. This is largely due to changes in funding for Homelessness, and an ongoing virement from savings within other services to sustain specialist housing delivery and related support.

18. Environment comments

Budgets supporting the Multi-Service contract have been revised reflecting the ongoing cost pressures around Waste and Recycling. The extract below was included in the Environment Committee Revenue Estimates report, and is repeated here given the impact on the Council's resources.

The narrative below and the supporting table include costs associated with the Multi-Service contract which are not the responsibility of Environment Committee (i.e. Building Cleaning, Grounds Maintenance). However, as the vast majority of service delivery falls within the remit of this committee, it would seem appropriate to include all elements of the contract within this report. Tables 1, 4 and 5 of (the Environment Committee report) only contain the multi-service budgets that this committee has responsibility for so do not directly reconcile to the budgets shown in Table 2 (of the Environment Committee report).

Members will be fully aware of the cost pressures on the Multi-Service contract, given the level of overspend reported in the budget monitoring reports in 2017/18 and 2018/19. It is also worth noting that the gross expenditure and income budgets associated with the Multi-Service contract were not amended at service level. Whilst additional funding was agreed by Council in January 2017 (£1.15m over 4 years), this was held as a contingency budget centrally so as not to disturb the financial reporting process through the service committees.

The January 2018 MTFP was prepared in the absence of detailed contract cost information from Ubico for 2018/19. The view taken at the time was to maintain the gross contract cost at around £5.4m over the medium term through a review of service costs and identification of contract efficiencies (as agreed in the Action Plan) resulting in little change to the Council's budgets. Clearly this has not been achieved.

Provision was made in the 2017/18 outturn report to Strategy and Resources committee in May 2018 to set aside £0.600m in an earmarked reserve to mitigate anticipated cost pressures likely in the MTFP.

For 2019/20, service budgets will be amended to reflect the gross expenditure and income budgets required to support service delivery, with any central contingency allocated directly to the service.

The 2019/20 gross expenditure budget for the Multi-Service contract has been included in the revenue estimates at £5.873m – an increase of £1.240m over the amount of expenditure previously budgeted for, with non-contract budgets increasing by £0.171m largely as a result of reallocations. At the same time, an additional (£0.749m) of service income from recycling credits, incentive payment and other recycling income has been budgeted for. This reduces the net increase to £0.579m. Table 3a shows the impact on the Council's budgets, with Table 3b showing the changes to the contract sum (and subsequent outturn) since 2016/17 for context.

Discussion has taken place with Ubico much earlier this year on the contract sum, with a robust dialogue around the Council's expectations. It should be noted that the current draft 2019/20 contract sum from Ubico has yet to be formally agreed and it is the final amount may be subject to change owing to validation work being undertaken by the finance team. This report has assumed the draft contract amount of £5.873m (this includes an additional round of £95k to support the increased demand on recycling and the contract). An update will be provided in the report to Strategy and Resources committee and Council in January 2019.

Whilst an element of budgeted increase in expenditure can be seen as multi-year inflationary catch-up or growth due to additional recycling rounds, this still represents a significant additional use of the Council's limited revenue resources.

There remains risk around income from recycling credits, incentive payment and income from the sale of recyclate. As such, members may need to review the level of service provision in future years should the financial position become unsustainable.

Table 3a – Multi Service Contract change from 2018/19

	2018/19 Original (£'000)	2019/20 Original (£'000)	Budget Change (£'000)
Multi Service Contract			
Ubico contract			
Refuse Waste (inc Dog Waste)	1,135	1,293	158
Food Waste	374	851	477
Recycling	1,513	1,837	324
Garden Waste	234	426	191
Bulky collections	88	87	(1)
Street Cleansing	586	634	48
Building Cleaning	344	290	(54)
Grounds Maintenance	360	456	96
Gross UBICO Contract Cost	4,634	5,873	1,240
Waste & Recycling costs	148	109	(38)
Recylate Waste Disposal costs	320	739	419
Garden Waste administration costs	58	48	(10)
Other non-contract costs	13	13	0
Central contingency	200	0	(200)
OTHER - Multi Service Costs	739	910	171
JWP Incentive Payment	(133)	(350)	(217)
Recycling Credits	(549)	(650)	(101)
Recyclate Waste Disposal Income	(90)	(544)	(454)
Other waste income	(60)	0	60
Garden Waste subscriptions	(451)	(451)	0
Bulky Waste Collections	(43)	(80)	(37)
INCOME - Multi Service Income	(1,326)	(2,075)	(749)
NET BUDGET - Multi Service Cost	4,046	4,708	662
NET BUDGET - GF only	3,790	4,369	579

Table 3b – Contract Sum and Outturn position

	2016/17 Contract Sum ** (£'000)	2017/18 Contract Sum (£'000)	2017/18 Outturn (£'000)	2018/19 Contract Sum (£'000)	2018/19 Forecast Outturn P7 (£'000)	2019/20 Contract Sum (£'000)
Multi Service Contract (Ubico)						
Refuse Waste (inc Dog Waste)	1,229	1,152	1,254	1,234	1,256	1,293
Food Waste	525	813	838	920	808	851
Recycling	1,523	1,637	1,623	1,591	1,773	1,837
Garden Waste	286	323	329	369	458	426
Bulky collections	0	88	83	91	91	87
Street Cleansing	640	669	601	615	621	634
Building Cleaning	320	323	322	328	299	290
Grounds Maintenance	449	446	423	492	444	456
Gross UBICO Contract Cost	4,971	5,452	5,473	5,639	5,751	5,873

** This is the full year equivalent contract sum. Ubicio service started 01 July 2016 with a pro-rata contract sum of £3.782m and an Outturn of £4.048m

19. Service Revenue Expenditure

The table below consolidates the revenue estimates for all 4 committees along with non-service revenue expenditure, which forms the Council's General Fund Revenue budget for 2019/20. This is considered in more detail in the Medium Term Financial Plan.

Table 4 – Service Revenue estimates 2018/19 and 2019/20 (all committees)

	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
TOTAL General Fund			
[a] Original Budget	14,339	14,367	14,367
[b1] In-year virements	0	195	72
[b2] Technical Adjustments	0	717	705
[c] Reversal of Prior-year Budget Proposals	0	0	0
[d] Pay Inflation 2019/20	0	0	196
[e] Price & Income Inflation	0	0	224
Base Budget	14,339	15,278	15,563
[f] Previous Policy Decisions	0	0	0
[g] Budget Pressures	0	0	1,169
[h] Efficiency Savings	0	(8)	(424)
[i] WFP Savings	0	(140)	(486)
[j] Recharge Adjustment *	0	0	29
[k] Insurance Adjustment	0	0	(55)
Net Service Revenue Expenditure Budget	14,339	15,130	15,795
Add: Support Service Charges	2,431	2,431	2,075
Net SRE Incl SSCs	16,770	17,561	17,870

Support Service Charges have notionally decreased from £2.431m to £2.075m. This is largely due to a change in the way the assets for the Multi-Service contract (Depot and Vehicles) are accounted for within the service. These charges are then reversed-out below the line so as not to impact on the calculation of the Council Tax requirement.

STRATEGY AND RESOURCES COMMITTEE	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Brunel Mall	(52)	(44)	(44)
Industrial Units	(16)	(16)	(9)
Brimscombe Port	50	50	50
Littlecombe site, Dursley	(61)	(61)	(47)
Gossington Depot	0	39	29
Subtotal Investment Assets	(78)	(32)	(21)
Dursley Bus Station	(3)	(4)	(4)
Miscellaneous Properties and Land	27	51	84
May Lane	0	0	9
Subtotal Other Assets	24	47	89
Car Parks (NC)	15	11	17
Car Parks (MT)	(23)	(15)	(26)
Car Parks (Stroud)	(648)	(647)	(698)
Subtotal Car Parks	(656)	(651)	(707)
Head of Property Services	82	83	60
Property Services	263	266	254
Asset Building Maintenance	64	65	66
Subtotal Property Services Team	327	330	319
Facilities Management	212	13	10
Ebley Mill	459	479	402
Emergency Management	91	60	29
Subtotal Facilities Management	761	551	442
Members Expenses	365	365	364
Democratic Representation and Management	(157)	(157)	(148)
Electoral Registration	126	127	107
Elections	88	89	98
Youth Councils	3	3	3
Subtotal Democratic Representation and Management	426	427	424
Past Service Pension Costs/Central Budget Alloc	1,861	1,762	1,980
Corporate Management	(22)	(22)	(2)
Pension Costs	49	49	49
Land & Property Custodian	(28)	0	0
Subtotal Resources and Finance - Direct Spend	1,859	1,789	2,027

(Table may contain roundings)

STRATEGY AND RESOURCES COMMITTEE	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Chief Executive	189	191	197
Marketing	54	54	96
Director (Corporate Services)	47	47	48
Human Resources	420	409	407
Corporate Change Team	100	322	75
Business services	122	123	126
Subtotal Corporate Business Services	222	445	201
Legal Services	416	420	411
Procurement	63	63	65
Democratic Services	96	96	82
Subtotal Corporate Services (Legal)	575	580	557
Head of Finance	80	81	83
Financial Services	871	847	676
Information & Communication Technology	1,009	1,015	1,645
STRATEGY & RESOURCES Total	6,212	6,215	6,542
Add: COMMUNITY SERVICES Total	3,554	3,657	3,252
Add: ENVIRONMENT Total	4,070	4,707	5,462
Add: HOUSING GF Total	503	552	540
SUBTOTAL Service Revenue Expenditure	14,339	15,131	15,795
A25, J's. K90, K91	2,431	2,245	2,075
Net Service Revenue Expenditure	16,769	17,376	17,870

	2018/19 Original Estimate (£'000)	2018/19 Revised Estimate (£'000)	2019/20 Original Estimate (£'000)
Subjective Analysis			
Employee costs	12,121	12,262	12,118
Premises costs	1,944	1,918	1,809
Transport costs	143	130	125
Supplies and Services	4,083	4,131	4,234
Third Party Payments	4,797	4,775	6,371
Transfer Payments	22,370	22,370	22,370
Total Expenditure	45,457	45,586	47,026
Grants	(22,996)	(22,996)	(23,121)
Contributions	(1,642)	(1,642)	(2,357)
Fees & Charges	(6,479)	(5,816)	(5,752)
Interest	(1)	(1)	(1)
Total Income	(31,118)	(30,455)	(31,231)
Net Expenditure	14,339	15,131	15,795
A25, J's. K90, K91	2,431	2,245	2,075
Net Service Revenue Expenditure	16,769	17,376	17,870