

## Agenda Item 8

### **Council Tax and Budget 2014/15**

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Portfolio:	Finance
Date signed off:	
Ward(s) Affected:	All

### **Purpose**

**To approve the Council's Budget and Council Tax for the Financial Year 2014/15.**

### **INTRODUCTION**

1. The purpose of this paper is to enable the Council to set its Budget and Council Tax for 2014/15. Under statute these functions cannot be delegated to the Executive.
2. This year's budget is again prepared against a backdrop of reduced funding for local authorities. Last year the formula grant for Surrey Heath was reduced by over £360,000 and for 2014/15 a further £457k has been cut. Local Government in total has contributed £10bn to reducing the deficit and this is likely to continue. In a local context the Council has lost £2.5m of Government funding since the austerity program began.
3. The Council continued to pursue a financial strategy of balancing its budget year on year through savings and increased income. Most of these savings have been achieved through reductions in staffing and as a consequence there has been no major impact on the frontline services the Council delivers. The emphasis will now need to move more towards increasing income, reducing the overall cost of providing services and service redesign. Ways of meeting these financial challenges are explored in more detail in the Council's Medium Term Financial Strategy which went to Executive in November 2013. The key findings from this are also included in this paper in Annex E.
4. The net cost of services for 2014/15 as presented shows a £10k increase on the previous year. This is after taking account of a £169k increase in pension contributions (more about this later in this report) and £130k in pay increments. These factors, together with the effects of inflation, rising costs and demand have all been absorbed to keep the budget almost level.
5. Staff costs have not increased in cash terms despite pay increments of £130k being awarded this year.
6. A budget summary is attached as Annex A within this paper. The detailed Revenue estimates, which show each budget page and portfolio, from which this summary budget is built up is available on Escene and in the member's room. A hard copy can be provided on request
7. Yet again the Government is offering all Councils which decide to freeze their Council Tax in 2014/15 a compensatory grant equivalent to an increase of 1.0% guaranteed for 2 years. In addition they have promised that it will be "included within the funding baseline" for Councils thereafter. A further 1% grant will be made available in 2015/16 for those Councils which decide to freeze in that year.
8. On the 5<sup>th</sup> February 2014 the Secretary of State Mr Brandon Lewis stated that the Government expected all Councils to freeze their Council Tax. However for those that did not the "referendum limit" would be set at 2%. Any increase in Council tax above this limit would be subject to a binding referendum to be held on the same date as the European elections in May. For the moment Parishes would not be subject to the limit.

9. Members are being presented with two options for the budget based around two different levels of Council Tax. These are as follows:

Option A: Freeze Council Tax and accept the grant;

Option B: Increase Council Tax by 1.9% and reject the grant

10. Members may of course decide to set Council tax at whatever level they wish however if this were to be greater than 2% they should also consider the implications and cost of a referendum.

### **CURRENT POSITION**

11. The budget monitoring report for December predicts that the Council will be £94k overspent at the end of the year. This represents 0.8% of the budget and has arisen mainly due to reductions in income. In respect of the budget for 2014/15 services have confirmed that the budget set is achievable and that no further adjustments are required as a result of 2013/14 predicted outturn. A full financial report for the 3<sup>rd</sup> quarter will be presented to the March Executive.

### **GENERAL FUND REVENUE ESTIMATES**

12. The complete budget is attached as Annex A to this paper. To aid understanding this has been broken down in to sections and is examined in more detail below.

#### **Cost of Services**

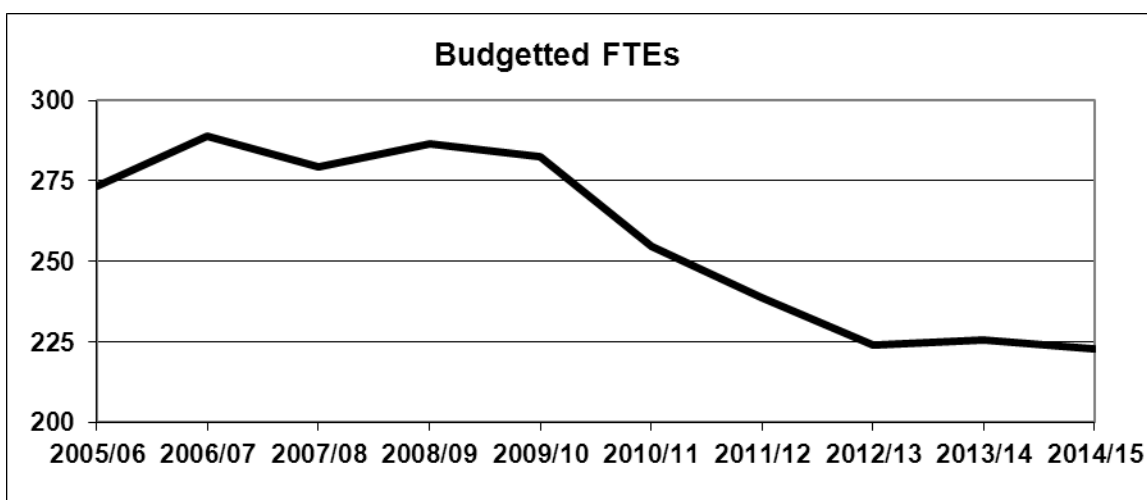
13. The General Fund Revenue Estimates set out the Council's Expenditure and Income Budget for the year 2014/15. At its meeting on the 18<sup>th</sup> February 2014, the Executive will be asked to recommend to Council the General Fund Revenue Estimates for 2014/15 as shown below.

	2013/14	2014/15	
	ORIGINAL	ORIGINAL	CHANGE
	£	£	£
<b>PORTFOLIO'S</b>			
Business	2,104,830	2,425,470	320,640
Regulatory	2,204,930	2,256,610	51,680
Corporate	1,310,030	1,388,220	78,190
Community	5,609,170	5,699,050	89,880
Finance	2,002,450	1,931,600	-70,850
Transformation	691,660	1,053,070	361,410
	<b>13,923,070</b>	<b>14,754,020</b>	<b>830,950</b>
Less: Staff cost amendments	-155,505	-198,671	-43,166
FRS17 Pensions	-195,210	-199,184	-3,974
Less: Internal asset charges	-2,100,968	-2,680,990	-580,022
Add: Pension Back Funding		169,000	169,000
Add: Cont. to R&R fund	130,000		-130,000
Less: Funding from reserves	-325,000	-557,900	-232,900
<b>NET COST OF SERVICES</b>	<b>£11,276,387</b>	<b>£11,286,275</b>	<b>£9,888</b>

14. An analysis of the changes to individual budget pages is included within the General Fund Estimates paper presented to Executive on 18th February. A complete set of budget pages is available on E scene and there are copies in the Member's Room.

**Savings in the Budget**

15. Savings/ additional income of at least £290k has been included in the 2014/15 budget given that £130k of pay increments and £169k of pension costs have been absorbed. Contractual price increases on areas such as software licences etc have also been offset by savings.
16. Staff costs continue to be the Council's biggest expense. The graphs below show the budgetted head count and total wage cost from 2005/06 to 2014/15.



17. As the economy improves there is more pressure on staff costs as the Council is recruiting in a more competitive environment.

**Other Items**

**Asset Charges**

18. Asset charges are charged to individual services as they represent the cost for the use of an asset to provide that service. They are included within each portfolio and are probably best thought of as a depreciation charge. However Government accounting rules mean that these charges cannot form part of the Council Tax Requirement and be charged to council tax payers and hence are reversed out in the budget. This also means there is no allowance for the replacement of assets when they wear out built into the budget.

**Pensions**

19. Part of the cost of providing a service includes the notional cost of providing accrued pension benefits for staff for that year. Government accounting rules state that only the actual contributions paid can be charged to Council tax payers so an adjustment is made to the budget to reflect this.

20. In addition the fund had its triennial actuarial review in March 2013 to determine contribution rates for the next 3 years. Although the Surrey fund had increased in value to £2.5bn since the last review in 2010 liabilities have also increased to £3.5bn giving a deficit of about £1bn. The main reasons for this were depressed gilt rates and longer life expectancy. This means the Surrey Heath scheme is only funded at 72%.
21. The actuary is proposing no increase in future service cost of pensions (currently 15.7% of payroll). However in order to address the deficit the annual deficit contribution of £380k a year will need to increase by £169pa cummulatively for the next 3 years. This is a signifincat pressure on the budget going forward.

Vacancy Margins

22. Each service staffing budget includes the cost of the full staff establishment. However it has been assumed that on average there will be a 3% vacancy margin and this has been deducted from the overall budget. This percentage has been set at 3% for a number of years and has always been achieved corporately. This figure also includes an allowance for a possible salary increase.

One off Costs and items funded from reserves

23. Management Board examined the 2014/15 Estimates in detail to identify expenditure which was either of a non-recurring nature or could be funded from reserves. Although there were no one off costs the following items are being funded from reserves:
- £75,000 from the Community Fund relating to Community Grants included in the budget. Typically this budget is underspent.
  - £250,000 from the Capital Revenue reserve relating to Transformation costs. This is deemed to be an investment to deliver transformational change to Council services and thus deliver savings in the medium term.
  - £150,000 from the property maintenance fund to fund improvements to property
  - £82,900 from the Crime and Disorder Partnership reserve for schemes in the year

***Members are asked to NOTE that expenditure of £557,900 be funded from reserves.***

Investment Income

24. The continuing low interest rate policy pursued by the Bank of England continues to have a detrimental impact on returns from the Council's investments. It is expected that the base rate will not rise during 2014/15. Steps are being taken to improve returns and the treasury strategy has been amended to permit investments in property funds. Despite this it is anticipated that investment income will only be £200k for 2014/15.

**Merger of the Repairs and Renewals and Planned Property Maintenance Funds**

25. In previous years a contribution of £130k was made each year to the Repairs and Renewals fund. This has now been transferred directly to the revenue budget for property maintenance, IT and vehicles. The Executive agreed at its meeting on the 18<sup>th</sup> February 2014 to merge the Repairs and Renewals Fund with the Planned Property Maintenance fund to create a single Repairs and Maintenance Fund.

## Contribution to Parishes

26. Last year the Council made a special grant to parishes to compensate them for the impact of the introduction of the Local Council Tax Support Scheme. This support is being reduced by 13% for this year this being equal to the level of reduction in government funding received by the borough.
27. The amount of grant is shown in the table below:

## Support for Parishes due to the LCTSS within 2014/15 budget

<b>Parish/Town</b>	<b>Support given in 2013/14</b>	<b>Support for 2014/15</b>
Bisley	1,533.68	1,334.30
Chobham	3,405.60	2,962.87
Frimley and Camberley	9,329.86	8,116.98
West End	1,829.48	1,591.65
Windlesham	6,824.87	5,937.64
<b>TOTAL</b>	<b>£22,923.49</b>	<b>£19,943.44</b>

***Members are asked to NOTE the 13% reduction in support for parishes.***

**New Homes Bonus**

28. The Government launched an incentive in 2010 to encourage house building. This gave local authorities £1,150 for each new housing unit built or brought back in to occupation plus a further £350 for if the housing was affordable. The value of the incentive is calculated each year by reference to the Council Tax Base and then paid in the following year and for 5 years after that.
29. The Council received £69k in 2011/12 followed by £307k in 2012/13 and £634k in 2013/14. It is estimated that £918k will be received in 2014/15.
30. The increasing amount of money paid out as New Homes Bonus rather than general grant reflects the Government's policy to reward those Councils that deliver housing development. Although Surrey Heath has delivered new housing over the last 4 years this was the lowest in Surrey and the 5th lowest in the South East 7 area. Compared to the £918k Surrey Heath has earned Runnymede and Woking will receive £1.3m and Elmbridge over £2m.
31. Earlier in the year it was proposed that 35% of new homes bonus due would be given to Local Enterprise Partnerships however due to lobbying by Councils this proposal has now been dropped. It is worth remembering that although this funding is a reward for building additional housing it is not "new" money and instead comes out of redistributed local authority funds – mainly by top slicing business rates.

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32. The Government is reviewing the effectiveness of NHB and although it is likely that the reward will be still be based on actual houses built it will only paid on those houses where the Council itself has granted permission i.e. not those granted on appeal – more information is awaited on this.
33. The Government includes New Homes Bonus in its “revenue spending power” calculation for local authorities implying it is meant to fund on-going services. Hence it is considered reasonable to use £525k to support the Councils revenue budget with the remainder being put in to reserves.
34. Given that this funding is time limited and it is unclear what will happen when the scheme ends the Council will need to take steps to reduce its cost base or generate income to cover the potential loss of this funding in the future.
35. Whilst this scheme remains it is financially beneficial for the Council to support housing development and to bring empty homes back in to occupation

***Members are asked to NOTE that £525,000 of the New Homes Bonus for 2014/15 has been used to support the revenue budget***

### Savings

36. As in previous year the budget contains an in-year savings target in order to deliver a balanced budget. The level of this is depends on the decision taken with regard to Council Tax.

### Fees and Charges

37. A number of fees and charges have been increased in accordance with financial regulations and are reflected within this budget. A full list of the proposed fees and charges can be found on the Internet under “Finance”

**FUNDING OF THE BUDGET**

38. The net budget is funded from three sources. These are:

- a) Surrey Heath's share of Business Rates
- b) Rate Support Grant
- c) Council Tax and/or Council Tax Freeze Grant

**Localisation of Business Rates**

39. 2014/15 marks the second year when the amount of income a local authority receives is related to the level of business rates it collects. The Government sets a baseline level of business rates its expects each Council to collect and then that Council's share of this is used to set their level of overall funding. If more than this baseline figure is collected then the borough retains 20% of the surplus however if the reverse is true then 40% of the loss falls on the borough. There is a safety net which caps the borough's losses at 7.5% of business rates or about £100k. Hence a 1% increase in business rates equal to £328k would give the Council an extra £66k whereas a reduction of the same value would cost the Council £104k.

40. Increases in business rates usually come from the construction of new buildings ON the other hand reductions generally arise from premises becoming unfit, being demolished for housing or as a result of a rating appeal. In 2013/14 so far over £6m has been paid out on successful appeals and there is still a backlog of some 190 appeals dating back to 2010 i.e. long before Council's took over responsibility for business rates. These constitute a significant risk to Council income going forward..

41. The table below shows the baseline set by the Government for Business Rates which forms the basis of the Council's funding:

Total Business Rates and Council Share

	2013/14	2014/15	2015/16	Change	Change
	Actual	Provisional	Provisional	14/15 to 13/14	15/16 to 14/15
	£000	£000	£000	£000	£000
Minimum Collectible Business Rates	32,750	33,385	34,310	2%	3%
Less: 50% to Government	-16,375	-16,693	-17,155		
Less:10% to SCC	-3,275	-3,339	-3,431		
Share for SHBC	13,100	13,354	13,724	2%	3%
Less Fixed Tariff	-11,730	-11,958	-12,289	2%	3%
Business Rates for SHBC	1,370	1,396	1,435	2%	3%
Business rates per above		1,396			
Less: Used to fund homelessness		-20			
Less: Used to fund 2011/12 CTF		-72			
Total Funding for SHBC		1,304			
Safety net	1,267	1,292	1,327		

NB: "Actual" in this context means the actual baseline set not the actual rates collected



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42. At first sight it would appear that amount Surrey Heath gets to keep from business rates has risen by 2%. This increase however is as a result of the national uplift in business rate charges each year. The Government reduces the "Revenue Support Grant" nationally by this increase so as to ensure that Councils do not benefit from it.
43. The Government extended the small business rates scheme and agreed to compensate Councils for the cost of it. This has just been paid for 2013/14 and it is estimated that £200k will be received in 2014/15 and so this has been included within the budget.
44. It is expected that there will be a national business rates revaluation in 2017. When this has happened in the past the business rates multiplier was adjusted to ensure that the total money collected nationally remained the same. How this will affect individual councils under the new system is not clear and it is also likely to lead to more appeals.
45. The Government has indicated that a rebasing of business rates may be carried out in 2020. This involves individual Council's gains and losses from Business Rates being evened out across the country so that income arising from development in one area will be transferred to cover business losses in another.
46. The Chancellor announced a number of new reliefs for businesses in the autumn statement relating to small retail premises and empty properties which are to be funded by central government. A paper explaining these is elsewhere on this agenda.
47. Given the Council's reliance on business rates income it is very important that it not only encourages business growth, primarily through development, but also supports and grows its existing businesses.

### Local Government Funding Settlement

48. Surrey Heath's final funding was confirmed in Parliament on the 10<sup>th</sup> February 2014 is as follows:

	<b>Provisional Allocation 2014/15 £000</b>	<b>Actual Allocation 2013/14 £000</b>	<b>Actual Allocation 2012/13 £000</b>	<b>Actual Allocation 2011/12 £000</b>	<b>Actual Allocation 2010/11 £000</b>
<b>Core Funding</b>					
Revenue Support Grant	1,441	1,415	63	862	613
Share of Business Rates	1,304	1,370	3,080	2,789	4,225
	<hr/> 2,745	<hr/> 2,785	<hr/> 3,143	<hr/> 3,651	<hr/> 4,838
<b>Other Grants rolled in:</b>					
Council Tax Freeze Grant	176	176	176		
Homelessness Grant	50	50			
Council Tax Support Funding	3	419			
	<hr/> 2,974	<hr/> 3,430	<hr/> 3,319	<hr/> 3,651	<hr/> 4,838

49. The £2.974m includes £50k for Homelessness prevention and £176k council tax freeze grant compensation which although rolled in to the overall grant are separately identifiable. The funding for the Local Council Tax Support Scheme is no longer shown separately and hence it is reasonable to assume that this has been reduced in line with overall funding i.e. by 13% and will be reduced going forward. This means that in the future the Council may have to amend the scheme to adjust the amount working claimants have to pay in Council Tax or find savings elsewhere.

- 50. The table above shows that the core grant has been reduced by £457k in 2014/15 or 13%. Based on the information given in December the Council's provisional settlement for 2015/16 shows a further reduction of £451k.
- 51. The grant given as compensation for the Council tax freeze agreed in 2011/12 was due to expire in 2015/16 but the Government has indicated that it is their intention that this funding will be included in the Council's funding baseline going forward.
- 52. Since 2010/11 like for like funding in cash terms i.e. ignoring inflation has been reduced by around £2.5m or 48%. Further reductions can be expected in the future.

**Council Tax and Council Tax Freeze**

- 53. Each property in the borough is placed in one of 8 property bands A to H depending on the value of the property. Band D is considered as the "national average" Council Tax band and it is this band that is used for setting the tax and comparing with other authorities. A band A property pays 2/3 of the cost of a band D property whereas a band H one pays twice as much. Due to the type of houses in the borough Surrey Heath has one of the highest proportions of top banded properties in the country. This means on average many householders pay more than the standard Band D rate.
- 54. Council Tax is levied on what is known as the "tax base" or the number of Band D equivalent properties in the borough. This year the base has risen by 396 band D equivalent properties due to increased house building and a purge on empty homes. This will generate an additional £73k in income for the borough. The base is shown in the table below:

	2014/15	2013/14	Change
Bisley	1,464.72	1,446.69	18.03
Chobham	1,895.73	1,883.64	12.09
Frimley and			
Camberley	22,974.07	22,592.61	381.46
West End	1,988.67	1,983.37	5.30
Windlesham	7,913.83	7,933.90	(20.07)
<b>Total</b>	<b>36,237.02</b>	<b>35,840.21</b>	<b>396.81</b>

- 55. Although Surrey Heath collects Council Tax on behalf of all the preceptors only around 12% of the total bill actually comes back to this Council.
- 56. **The Council is at liberty to set whatever level of Council Tax it so wishes** but under the Localism Act any increases deemed to be "excessive" will trigger a local referendum (at the Council's expense) on the increase requested. The Government by regulation decides what level of increase is considered "excessive" and this has been set at 2%.
- 57. The Government has stated that any Council that decides to freeze its Council Tax for 2014/15 would receive an additional special grant equivalent to an increase of 1.0% - £72,400 for SHBC) for both 2014/15 and 2015/16. A further grant of 1% would be available in 2015/16 for those Council's which opt to freeze in that year. Further more the Government has stated that this money will be put in to Council's baselines meaning it is secured for the future. This funding though is likely to be reduced in line with overall funding reductions going forward.

58. A freeze in 2014/15 would save on average £3.59 a year for a Band D taxpayer on their Surrey Heath precept compared to an increase of 1.9%.
59. The current Surrey Heath band D Council Tax is £188.97. Given the uncertainty around the referendum limit at the time of writing this report a number of different increases are shown below. :

**Surrey Heath Council Tax for Band D equivalent properties**

Percentage	Increase £	SHBC Weekly Increase £	SHBC Weekly Cost £
0%	0	0	3.64
1.9%	3.59	0.07	3.70

*The Table shows the costs for Band D properties only.  
Every 1% increase in Council tax raises approximately £71,500 annually*

60. Surrey County Council and Surrey Police have both decided to increase their precepts by 1.99%. Hence even if Surrey Heath opts for a freeze residents will see their bills increase by an average of 1.75% as per the table below:

	2013/14	2014/15 0% Inc	2014/15 1.9% Inc.	% change
Surrey Heath BC	188.97	188.97	192.56	0%/1.9%
Surrey County	1,172.52	1,195.97	1,195.97	1.99%
Surrey Police	207.55	211.68	211.68	1.99%
	<u>1,569.04</u>	<u>1,596.62</u>	<u>1,600.21</u>	1.75%/1.99%

61. The parish precepts are shown below:

Parish	2013/14			2014/15			Increase
	Tax Base	Precept	Band D	Tax Base	Precept	Band D	
Bisley	1,446.69	59,556	41.17	1,464.72	64,523	44.05	7.01%
Chobham	1,883.64	71,594	38.01	1,895.73	74,037	39.05	2.75%
West End	1,983.37	77,770	39.21	1,988.67	80,278	40.37	2.95%
Windlesham	7,933.90	273,238	34.44	7,913.83	277,970	35.12	1.99%
	<u>13,247.60</u>	<u>482,158</u>	<u>36.40</u>	<u>13,262.95</u>	<u>496,808</u>	<u>37.46</u>	<u>2.92%</u>

NB: These are subject to confirmation and so are indicative only

62. Parishes are not subject to the “excessiveness” threshold this year
63. Given the longer term financial implications the Sec 151 officer would urge members to increase Council tax this year to just below the referendum threshold.

**Members are asked to NOTE the financial implications of a Council Tax freeze and the Ministers statement on “excessive” Council Tax increases**

**TOTAL BUDGET**

64. The complete summary budget including Council Tax options is shown in Annex A.  
 65. Each option presented has a different “Budget Requirement” and level of savings as set out below:

	<b>2013/14</b>	<b>2014/15</b>	<b>2014/15</b>
		<b>OPTION A</b>	<b>OPTION B</b>
	<b>Budget</b>	<b>0% Ctax Inc</b>	<b>1.9% Ctax Inc</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Budget recommended by Executive</b>	11,276,387	11,286,275	11,286,275
Less: Investment Interest earned	-225,000	-200,000	-200,000
Less: New Homes Bonus	-450,000	-525,000	-525,000
<b>ESTIMATED NET EXPENDITURE</b>	<b>10,601,387</b>	<b>10,561,275</b>	<b>10,561,275</b>
Less: Savings Target	-253,267	-320,796	-255,977
Add: Contribution to Parishes	23,000	19,943	19,943
Add: Tfr to Reserves from Collection Fund	143,430	169,000	169,000
<b>BUDGET REQUIREMENT</b>	<b>10,514,550</b>	<b>10,429,422</b>	<b>10,494,241</b>
Less: Sec 31 Grant in Lieu of Council Tax	0	-68,477	0
Less: Collection Fund Surplus	-143,430	-169,000	-169,000
Less: Business Rates baseline and RSG	-3,429,595	-2,974,352	-2,974,352
Less: Sec 31 Grant Small Business Relief		-200,000	-200,000
Add: Parish Precepts	482,158	496,808	496,808
<b>COUNCIL TAX REQUIREMENT</b>	<b>£7,423,683</b>	<b>£7,514,401</b>	<b>£7,647,697</b>
Less: Special Expenses	-168,671	-169,883	-173,111
less: Parish Precepts	-482,158	-496,808	-496,808
<b>OWN COUNCIL TAX REQUIREMENT</b>	<b>6,772,854</b>	<b>6,847,710</b>	<b>6,977,778</b>
<i>Band D equivalent Properties</i>	<i>35,840.22</i>	<i>36,237.02</i>	<i>36,237.02</i>
<i>Base Council Tax per Band D property</i>	<b>£188.97</b>	<b>£188.97</b>	<b>£192.56</b>
<i>Increase</i>		0.00%	1.90%

**OTHER MATTERS**

Collection Fund

66. The Borough Council collects Council Tax on behalf of all precepting authorities. If the amount collected is less than predicted this results in a deficit on the Collection Fund. Conversely, if the amount collected is greater than predicted this results in a surplus. Any deficit or surplus is shared amongst all the principle precepting bodies. As Surrey Heath has one of the highest collection rates in the country the fund is forecast to be in surplus at the 31<sup>st</sup> March 2014.
67. The Sec 151 officer has determined that a surplus of £1,400,000 can be declared for the year. Of this will £1.046m will be paid to Surrey County Council, £185k to the police and the remaining £169k to the borough

***Members are asked to NOTE the Council Tax surplus of £1.4m being declared***

Reserves and Provisions

68. The Council maintains a number of earmarked reserves and provisions. These are reviewed on an annual basis by the Performance and Audit Scrutiny Committee. All reserves and provisions are considered appropriate and supportive of future expenditure requirements. Revenue Reserves (including earmarked reserves) are projected to be around £17m and Capital Reserves £1.2m at the 31<sup>st</sup> March 2014.

Adequacy of the General Fund

69. The General Fund reserve is the Council's contingency fund which needs to be sufficient to deal with any unexpected expenditure.
70. Whichever option for Council tax is taken it is predicted that the general fund will be £1.4m at the 31<sup>st</sup> March 2015 provided all the savings are achieved.
71. In respect of the General Fund working balance, a risk calculation (annex B) indicates that a minimum balance of £1.1m is needed to provide financial cover for day to day cash flow and any financial emergencies which may occur during the financial year. This is satisfied by all the Council Tax options presented.

**MEDIUM TERM FINANCIAL FORECAST**

72. The Council is required to consider a financial forecast which predicts the Councils finances for the next 5 years. This is particularly difficult this year for the following reasons:
- a) The Government has only given an indication of grant figures for 2015/16. Our advisors LG futures have modelled the spending review figures to arrive at an estimate of future funding – this has been used in the forecast.
  - b) Surrey Heath is expected to collect £37.5m in business rates each year. The forecast reflects the actual business rates the borough expects to collect as modelled by LG futures based on past growth.
  - c) Members will decide on the level of Council tax for 2014/15 at this meeting however the forecast assumes an increase of 1.9% pa for the life of the forecast.

It has been assumed that the “referendum trigger” will remain at 2% however this may in fact be reduced.

### Forecast Scenarios

73. As the Council can opt to either increase or freeze council tax two scenarios have been prepared based on these two options.

### **Forecast Assumptions**

<b>Category</b>	<b>Assumption</b>
Inflation	1% rising to 2%
Investment Returns	1.00% to 2%
Government Funding	Cuts for entire period
Council Tax	1.9% increase pa (if not frozen)
Fees and Charges	2.0%

### Projected outcomes

	<b>PRUDENT WITH FREEZE</b>			<b>PRUDENT NO FREEZE</b>		
	<b>Annual Savings</b>	<b>General Fund</b>	<b>Reserves</b>	<b>Annual Savings</b>	<b>General Fund</b>	<b>Reserves</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>2014/15</b>	321	1,377	16,640	255	1,377	16,640
<b>2015/16</b>	291	1,322	16,079	288	1,322	16,079
<b>2016/17</b>	485	1,322	15,584	483	1,322	15,584
<b>2017/18</b>	-173	1,322	15,152	-176	1,322	15,152
<b>2018/19</b>	128	1,322	14,660	126	1,322	14,660

74. The forecast shows significant savings will be required to maintain a balanced budget going forward. This is in line with expected cuts in government funding.
75. In both scenarios capital reserves expire in a relatively short time after which capital expenditure will need to be funded out of revenue or borrowings. This puts an additional budget pressure on the Council.
76. The forecasts do include an element of “new homes bonus” ,although not the entire sum, provided building rates are maintained.
77. The detailed forecasts are included in annexes C and D

***Members are asked to NOTE the outcome of the financial forecast***

**RISKS TO THE PROPOSED BUDGET**

78. There are a number of financial risks contained within the budget as follows:

Income Projections

79. A number of services are reliant on income to pay for their services. Whilst services have been prudent in their estimates economic factors or changes in legislation that are beyond the Council's control can affect the Council's ability to levy charges.

80. Rental income is still under pressure but this is lessening as the economy improves.

Achievement of savings

81. The savings in the budget may be difficult to achieve given the level of savings found in the past. Savings will need to come from changes to service provision and additional income through fees and charges..

Inflation

82. Inflation may be a risk going forward.

Funding Risks

83. There has been a significant transfer of financial risk from central to local government principally around the localisation of business rates and the uncertainties re revaluations. This can reduce the amount income the Council receives to provide services.

***Members are asked to NOTE the risks outlined above***

**ROBUSTNESS OF THE 2014/15 BUDGET**

84. The Local Government Act requires the Council's Chief Financial Officer to report to Council upon:

- (i) the robustness of the estimates made for the purposes of the calculation of the council tax requirement; and
- (ii) the adequacy of the proposed financial reserves

The Council is required to have regard to this section of the report when making decisions in respect of the budget requirement.

85. The Council's Chief Financial Officer confirms he is satisfied that the preparation of the 2014/15 estimates has been undertaken with rigour and due diligence and provides the appropriate level of resources to meet forecast service requirements whichever budget option is adopted. He also reports that the Council's reserves, provisions and the General Fund Working Balance, supplemented by the Revenue

Capital Reserves are at such levels to meet all known future expenditure requirements and fund any unforeseen or urgent spending which may arise.

86. The Chief financial officer would like to draw attention to the risks within the budget particularly around the council's ability to continue to deliver savings in the future

***Members are asked to note the comments in respect of the robustness of the 2014/15 budget and the adequacy of Reserves, Provisions and the General Fund Working Balance***

Conclusion

87. This year Surrey Heath is again setting a balanced budget. Significant cost reductions and income growth have been achieved to ensure that in cash terms the budget has not increased. Further reductions in Government funding have been offset by the new homes bonus and increases in business rates. Whichever budget is adopted the Council will still need to find in year savings of between £250k and £320k..
88. Since 2011 almost £2.5m has been lost in government funding without any real impact on services delivered. Future reductions in funding can be anticipated putting more pressure on Councils such as Surrey Heath. The Government's ongoing policy of freezing Council Tax, whilst being popular with the public, has long term implications for Councils financial sustainability. Importantly it erodes their ability to grow their own funding base and hence have more fiscal independence from Government.
89. The financial forecast shows that if the funding reductions continue the Council will need to make cumulative savings of at least 3% a year if it is just to stand still and remain financially sustainable. This coupled with the issue of funding the capital program in the longer term and the potential loss of New Homes bonus are significant challenges to be faced. Longer term financial sustainability can only be achieved through a complete rethink into what, why and how the Council provides services coupled with increasing income and raising new charges. These themes were explored in the financial strategy and are shown again in Annex E. This must continue to be the main focus for 2014/15.

Legal implications

90. The Council has a statutory duty to set a balanced budget. The budget, which is approved by full Council, will form part of the Council's Budget and Policy Framework. With only a very few exceptions, all decisions of the Executive, Council, Officers, and subordinate bodies must be taken in accordance with the council's Budget and Policy Framework.
91. The Council has a duty to appoint an officer with specific responsibility for the proper administration of its financial affairs. At Surrey Heath Borough Council, this officer is the Executive Head of Finance ("Section 151 Officer"). When making recommendations for the budget, the Council's Section 151 Officer must report on both the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council's Section 151 Officer has a duty to make a formal report (to full Council and to the external auditor) if it appears to him that the expenditure or proposed expenditure of the council is likely to exceed the resources available to it to meet that expenditure.



Equality Implications

92. The Council recognises that where budgetary proposals are likely to have a significant impact on Council policies or service provision, such changes may have a disproportionate impact on particular sectors or groups within the population. It is thus important to conduct an assessment of such impact, in line with the Council's commitments as set out in our Corporate Equality Plan, and in compliance with our statutory equality duties.
93. Where significant service changes are likely to occur as part of proposals included in budgetary proposals, the Council will consider conducting an Equality Impact Assessments (EIA) of these proposals. EIAs are all about considering how such proposals may impact, either positively or negatively, on different sectors of the population in different ways. The purpose of such assessments is to:
- Identify whether the proposals are likely have a disproportionate impact on any particular group within the population;
  - whether such an impact is positive or negative; and
  - whether such an impact might constitute unlawful discrimination.
94. Where disproportionate negative impact and/or unlawful impact are identified, the assessment provides a means for the Council to take appropriate steps to either avoid such an impact or take appropriate action to mitigate it.

**Proposals**

95. There are two different proposals for members to consider depending on the level of Council tax set.

**SET OF PROPOSALS A – 0% COUNCIL TAX INCREASE**

Members are asked to:

- i. NOTE that under delegated powers the Executive Head of Finance calculated the amount of the Council Tax Base as 36,237.02 (Band D Equivalent properties) for the year 2014/15 calculated in accordance with the Local Government Finance Act 1992, as amended;
- ii. NOTE expenditure totalling £557,900 be charged directly to reserves;
- iii. NOTE that £525,000 of the new homes bonus is being used to support the 2014/15 budget;
- iv. NOTE the implications of the Council Tax freeze grant and that an increase in Council Tax above 2% is deemed to be “excessive” by Government;
- v. NOTE the financial implications of the actuarial review of the pension fund
- vi. NOTE the level of savings required;
- vii. NOTE the reduction of 13% in the grant given to parishes for the Local Council Tax Support Scheme;
- viii. NOTE that a council tax surplus of £1.4m is being declared;
- ix. NOTE the comments in respect of the robustness of the 2014/15 budget and the adequacy of the Council’s reserves, provisions and the General Fund Working Balance;
- x. NOTE the comments in respect of the financial forecast;
- xi. NOTE that of the Council’s Budget requirement, £169,883 be a special expense relating to the non-parished area of the Borough.
- xii. RESOLVE that the Budget Requirement for 2014/15 be £10,429,422 as set out in Annex A;
- xiii. RESOLVE that the Council Tax Requirement for the Council’s own purposes for 2014/15 be £6,847,710 as set out in Annex A and;
- xiv. RESOLVE that the Council Tax for 2014/15 (excluding special expenses and parish precepts) be set at £188.97 for a Band D property being the same as in 2013/14.

**SET OF PROPOSALS B – 1.9% COUNCIL TAX INCREASE**

Members are asked to:

- i. NOTE that under delegated powers the Executive Head of Finance calculated the amount of the Council Tax Base as 36,237.02 (Band D Equivalent properties) for the year 2014/15 calculated in accordance with the Local Government Finance Act 1992, as amended;
- ii. NOTE expenditure totalling £557,900 be charged directly to reserves;
- iii. NOTE that £525,000 of the new homes bonus is being used to support the 2014/15 budget;
- iv. NOTE the implications of the Council Tax freeze grant and that an increase in Council Tax above 2% is deemed to be excessive by the Government;
- v. NOTE the financial implications of the actuarial review of the pension fund
- vi. NOTE the level of savings required;
- vii. NOTE the reduction of 13% in the grant given to parishes for the Local Council Tax Support Scheme
- viii. NOTE that a council tax surplus of £1.4m is being declared;
- ix. NOTE the comments in respect of the robustness of the 2014/15 budget and the adequacy of the Council's reserves, provisions and the General Fund Working Balance;
- x. NOTE the comments in respect of the financial forecast;
- xi. NOTE that of the Council's Budget requirement, £173,111 be a special expense relating to the non-parished area of the Borough.
- xii. RESOLVE that the Budget Requirement for 2014/15 be £10,494,241 as set out in Annex A;
- xiii. RESOLVE that the Council Tax Requirement for the Council's own purposes for 2014/15 be £6,977,778 as set out in Annex A and;
- xiv. RESOLVE that the Council Tax for 2014/15 (excluding special expenses and parish precepts) be set at £192.56 for a Band D property being an increase of 1.9% compared with 2013/14.

Options

96. The Council can accept, reject or amend any part of the budget, non recurring expenditure items, savings target and/or the Council Tax Requirement. Any changes however may have an impact on the overall robustness of the budget which may then need to be reassessed.
97. The Council can accept, amend or reject any of the proposals for levels of Council Tax as they see fit. Each 0.1% change the level of Council Tax changes the savings required by approximately £7,000. Any alternative proposal would need to be assessed to ensure that budget remained robust and take into account the “excessiveness” principles if appropriate .

Officer recommendation

98. The Section 151 Officer would recommend that members increase Council Tax by the maximum permitted without triggering a referendum in order to protect and maintain the Council's services and finances in the longer term.

Background Papers:

Set of detailed revenue estimates in Members Room and on E Scene

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## ANNEX A

## 2014/15 GENERAL FUND ESTIMATES WITH COUNCIL TAX OPTIONS

PORTFOLIO'S	2013/14	2014/15	2014/15	Variance
		OPTION A	OPTION B	
	Budget £	0% Ctax Inc £	1.9% Ctax Inc £	
Business	2,104,830	2,425,470	2,425,470	320,640
Regulatory	2,204,930	2,256,610	2,256,610	51,680
Corporate	1,310,030	1,388,220	1,388,220	78,190
Community	5,609,170	5,699,050	5,699,050	89,880
Finance	2,002,450	1,931,600	1,931,600	-70,850
Transformation	691,660	1,053,070	1,053,070	361,410
	<b>13,923,070</b>	<b>14,754,020</b>	<b>14,754,020</b>	<b>830,950</b>
Less: Staff cost amendments	-155,505	-198,671	-198,671	-43,166
Pension adjustment	-195,210	-199,184	-199,184	-3,974
Add: Contribution to Repairs & Renewals Fund	130,000	0	0	-130,000
Add: Additional pension contribution		169,000	169,000	169,000
Internal asset charges reversed	-2,100,968	-2,680,990	-2,680,990	-580,022
Less: Funding from Reserves	-325,000	-557,900	-557,900	-232,900
<b>NET COST OF SERVICES</b>	<b>11,276,387</b>	<b>11,286,275</b>	<b>11,286,275</b>	<b>£9,888</b>
Less: Investment Interest earned	-225,000	-200,000	-200,000	
Less: New Homes Bonus	-450,000	-525,000	-525,000	
<b>ESTIMATED NET EXPENDITURE</b>	<b>10,601,387</b>	<b>10,561,275</b>	<b>10,561,275</b>	
<b>Less: Savings Target</b>	<b>-253,267</b>	<b>-320,796</b>	<b>-255,977</b>	
Add: Contribution to Parishes	23,000	19,943	19,943	
Add: Tfr to Reserves from Collection Fund	143,430	169,000	169,000	
<b>BUDGET REQUIREMENT</b>	<b>10,514,550</b>	<b>10,429,422</b>	<b>10,494,241</b>	
Less: Sec 31 Grant in Lieu of Council Tax	0	-68,477	0	
Less: Collection Fund Surplus	-143,430	-169,000	-169,000	
Less: Business Rates baseline and RSG	-3,429,595	-2,974,352	-2,974,352	
Less: Sec 31 Grant Small Business Relief		-200,000	-200,000	
Add: Parish Precepts	482,158	496,808	496,808	
<b>COUNCIL TAX REQUIREMENT</b>	<b>£7,423,683</b>	<b>£7,514,401</b>	<b>£7,647,697</b>	
Less: Special Expenses	-168,671	-169,883	-173,111	
less: Parish Precepts	-482,158	-496,808	-496,808	
<b>OWN COUNCIL TAX REQUIREMENT</b>	<b>6,772,854</b>	<b>6,847,710</b>	<b>6,977,778</b>	
<i>Band D equivalent Properties</i>	<i>35,840.22</i>	<i>36,237.02</i>	<i>36,237.02</i>	
<i>Base Council Tax per Band D property</i>	<b>£188.97</b>	<b>£188.97</b>	<b>£192.56</b>	

Notes:

**Agenda Item 8**

**Agenda Item 8**

- i) Special Expenses are a deduction from the overall borough budget representing the cost of providing services in non parished areas of the borough that are paid for by parishes in the parished areas of the borough. This "special expense" is then charged as part of Council Tax on the non parished part of the borough as an additional cost. These have reduced to take account of the change in the tax base
- ii) Freeze grant figures are approximate and subject to confirmation. Any difference will be added or deducted from the savings target
- iii) At the time of writing this report the parish precepts were not available

**ANNEX B**

<b>GENERAL FUND REVENUE RESERVE</b>						
<b>CALCULATION OF THE MINIMUM REQUIREMENT</b>						
				<b>Calculation Basis</b>		<b>TOTAL</b>
				<b>Base</b>	<b>%</b>	<b>Total</b>
				<b>£000</b>		<b>£000</b>
<b>Provision for cash flow on expenditure Items</b>						
Based on gross General Fund Expenditure				19,000	3%	475
<b>Provision for shortfall in major income budgets</b>						
Arena				250	4%	10
Building control Fees				281	4%	11
Car Park Income				2,000	4%	80
Community alarms				188	4%	8
Community Transport				200	4%	8
Development Control				397	4%	16
Housing				96	4%	4
Licensing				154	4%	6
Local Land charges				200	4%	8
Meals on Wheels				165	4%	7
Older peoples centres				160	4%	6
Parks				215	4%	9
Property Rents				1,000	4%	40
Theatre				963	4%	39
Waste and recycling				975	4%	39
				<b>7,244</b>		<b>290</b>
<b>Other Contingencies</b>						
- Major Incident or business recovery						50
Cost of major enquiry						50
- Shortfall on Business Rates						100
<b>Failure to achieve savings target</b>						<b>150</b>
<b>TOTAL RESERVE REQUIRED</b>						<b>£1,115</b>

ANNEX C					
REVENUE FUND PROJECTION 2014/15 to 2018/19					
WITH COUNCIL TAX FREEZE					
2014/15		2015/16	2016/17	2017/18	2018/19
£000		£000	£000	£000	£000
<b>Budget</b>	<b>Portfolio</b>				
2,425	Business	2,425	2,425	2,425	2,425
2,257	Regulatory	2,257	2,257	2,257	2,257
1,388	Corporate	1,388	1,388	1,388	1,388
5,699	Community	5,699	5,699	5,699	5,699
1,931	Finance	1,931	1,931	1,931	1,931
1,053	Transformation	1,053	1,053	1,053	1,053
-558	Less funded from Reserves	-558	-558	-558	-558
-198	Vacancy Margin	-274	-274	-274	-274
13,997		13,921	13,921	13,921	13,921
	<b>One Off or Non Cash Costs</b>				
(2,681)	Internal Asset charges	(2,681)	(2,681)	(2,681)	(2,681)
(199)	FRS17 Pensions	(199)	(199)	(199)	(199)
169	Pension deficit funding	338	507	170	170
0	Non recurrent costs	(55)			
(2,711)		(2,597)	(2,373)	(2,710)	(2,710)
<b>11,286</b>	<b>Base Budget</b>	<b>11,324</b>	<b>11,548</b>	<b>11,211</b>	<b>11,211</b>
	<b>Financing Changes</b>				
(200)	Investment Income	(181)	(176)	(256)	(333)
	Income Inflation	(160)	(323)	(490)	(659)
	LCTSS growth	50	75	100	125
	Wages Inflation	120	242	365	491
	Expense Inflation	100	252	457	666
(200)	<b>Total</b>	(71)	69	176	289
<b>11,086</b>	<b>Total Budget to be funded</b>	<b>11,253</b>	<b>11,617</b>	<b>11,387</b>	<b>11,500</b>
	<b>Financed By</b>				
1,578	Rate support Grant	1,088	774	518	300
1,597	Business Rates	1,635	1,684	1,735	1,788
-20	Contribution to Parishes	-17	-15	-12	-10
6,847	Council Tax	6,977	7,110	7,245	7,382
69	Freeze Grant for 2014/15	69	69	69	69
525	New Homes Bonus	700	700	700	700
	Increase in Tax Base	20	30	40	50
169	Special Expenses	169	169	169	169
<b>10,765</b>	<b>Total Finance</b>	<b>10,641</b>	<b>10,521</b>	<b>10,464</b>	<b>10,448</b>
<b>321</b>	<b>Funding Gap/Savings</b>	<b>612</b>	<b>1,097</b>	<b>923</b>	<b>1,052</b>
	<b>Savings required</b>				
321	Reqd in 2014/15	321	321	321	321
	Reqd in 2015/16	291	291	291	291
	Reqd in 2016/17		485	485	485
	Reqd in 2017/18			(173)	(173)
	Reqd in 2018/19				128
<b>321</b>	<b>Total savings</b>	<b>612</b>	<b>1097</b>	<b>923</b>	<b>1052</b>



<b>ANNEX C</b>						
<b>GENERAL FUND CAPITAL AND REVENUE BALANCES ESTIMATED 2013 TO 2019 WITH COUNCIL TAX FREEZE</b>						
<b>Estimated Balance 31-Mar-14</b>		<b>Estimated Balance 31-Mar-15</b>	<b>Estimated Balance 31-Mar-16</b>	<b>Estimated Balance 31-Mar-17</b>	<b>Estimated Balance 31-Mar-18</b>	<b>Estimated Balance 31-Mar-19</b>
<b>£000</b>	<b>Capital Reserves</b>	<b>£'000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
1,200	Capital Receipts	675	170	150	150	150
<b>1,200</b>	<b>Sub Total Capital Reserves</b>	<b>675</b>	<b>170</b>	<b>150</b>	<b>150</b>	<b>150</b>
	<b>Earmarked Revenue Reserves</b>					
12	Atrium Public Art	11	11	10	10	9
0	Atrium Development Agreement	0	0	0	0	0
350	Atrium s106	275	225	150	75	0
144	Blackwater Valley & Developer Conts	100	75	50	25	0
22	Gum Machine	20	18	15	12	10
838	Commuted Sums	600	500	400	300	200
410	Community Fund	340	260	200	150	100
144	Crime and Disorder Partnership	70				
373	Deepcut Commuted Sums	350	340	330	320	310
46	Heathside Muga	38	36	34	32	30
239	Insurance	100	90	90	80	80
404	Land Drainage	350	300	300	250	250
34	Land Charges	24	24	0	0	0
81	new burdens	0				
20	Old Dean Toddlers Playground	15	12	12	10	8
115	Personalisation	0				
134	Sec 106	100	70	50	30	10
294	Planning Tariffs	250	300	250	300	200
1,695	Repairs and Property Fund	1,570	1,450	1,330	1,200	1,100
45	Remediation Fund	45	45	45	45	45
698	SANGS	750	1,000	1,250	1,500	1,750
<b>6,098</b>	<b>Total Earmarked Revenue Reserves</b>	<b>5,008</b>	<b>4,756</b>	<b>4,516</b>	<b>4,339</b>	<b>4,102</b>
	<b>Other Revenue Reserves</b>					
9,237	Capital Revenue Reserve	8,987	8,737	8,002	7,247	6,492
250	Waste Reserve	0	0	0	0	0
200	New Homes Bonus	593	1,094	1,594	2,094	2,594
1,377	General Fund Working Balance	1,377	1,322	1,322	1,322	1,322
<b>11,064</b>	<b>Total Other Revenue Reserves</b>	<b>10,957</b>	<b>11,153</b>	<b>10,918</b>	<b>10,663</b>	<b>10,408</b>
<b>18,362</b>	<b>TOTAL RESERVES</b>	<b>16,640</b>	<b>16,079</b>	<b>15,584</b>	<b>15,152</b>	<b>14,660</b>

<b>ANNEX C</b>					
<b>CAPITAL EXPENDITURE FORECAST 2013 To 2019</b>					
<b>WITH COUNCIL TAX FREEZE</b>					
	<b>Estimated 2014/15 £'000</b>	<b>Estimated 2015/16 £'000</b>	<b>Estimated 2016/17 £'000</b>	<b>Estimated 2017/18 £'000</b>	<b>Estimated 2018/19 £'000</b>
Disabled Facilities Grants	500	500	500	500	500
Renovation Grants	25	25	25	25	25
IT	50	50	50	50	50
Planned Property Maintenance	150	150	150	150	150
Capitalised Salaries	100	100	100	100	100
Equipment Replacement Program	150	150	150	150	150
<b>GRAND TOTAL OF ALL SCHEMES</b>	<b>975</b>	<b>975</b>	<b>975</b>	<b>975</b>	<b>975</b>
<b>CAPITAL RECEIPTS RESERVE B/F</b>	<b>1,200</b>	<b>675</b>	<b>170</b>	<b>150</b>	<b>150</b>
Add: Funding from Capital Revenue Reserve	0	0	485	505	505
Add: Funding from Revenue	150	150	150	150	150
Add: Government Grant	270	270	270	270	270
Add: Capital Receipts	30	50	50	50	50
Less: Capital Expenditure	(975)	(975)	(975)	(975)	(975)
<b>CAPITAL RECEIPTS RESERVE C/F</b>	<b>675</b>	<b>170</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>CAPITAL REVENUE RESERVE B/F</b>	<b>9,237</b>	<b>8,987</b>	<b>8,737</b>	<b>8,002</b>	<b>7,247</b>
Less: Transformation	(250)	(250)	(250)	(250)	(250)
Less Funding Required for Capital	0	0	(485)	(505)	(505)
<b>CAPITAL REVENUE RESERVE C/F</b>	<b>8,987</b>	<b>8,737</b>	<b>8,002</b>	<b>7,247</b>	<b>6,492</b>

		<b>ANNEX D</b>			
<b>REVENUE FUND PROJECTION 2014/15 to 2018/19</b>					
<b>WITH NO COUNCIL TAX FREEZE</b>					
<b>2014/15</b>		<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Budget</b>	<b>Portfolio</b>				
2,425	Business	2,425	2,425	2,425	2,425
2,257	Regulatory	2,257	2,257	2,257	2,257
1,388	Corporate	1,388	1,388	1,388	1,388
5,699	Community	5,699	5,699	5,699	5,699
1,931	Finance	1,931	1,931	1,931	1,931
1,053	Transformation	1,053	1,053	1,053	1,053
-558	Less funded from Reserves	-558	-558	-558	-558
-198	Vacancy Margin	-274	-274	-274	-274
<b>13,997</b>		<b>13,921</b>	<b>13,921</b>	<b>13,921</b>	<b>13,921</b>
	<b>One Off or Non Cash Costs</b>				
(2,681)	Internal Asset charges	(2,681)	(2,681)	(2,681)	(2,681)
(199)	FRS17 Pensions	(199)	(199)	(199)	(199)
169	Pension deficit funding	338	507	170	170
0	Non recurrent costs	(55)			
<b>(2,711)</b>		<b>(2,597)</b>	<b>(2,373)</b>	<b>(2,710)</b>	<b>(2,710)</b>
<b>11,286</b>	<b>Base Budget</b>	<b>11,324</b>	<b>11,548</b>	<b>11,211</b>	<b>11,211</b>
	<b>Financing Changes</b>				
(200)	Investment Income	(181)	(176)	(256)	(333)
	Income Inflation	(160)	(323)	(490)	(659)
	LCTSS growth	50	75	100	125
	Wages Inflation	120	242	365	491
	Expense Inflation	100	252	457	666
<b>(200)</b>	<b>Total</b>	<b>(71)</b>	<b>69</b>	<b>176</b>	<b>289</b>
<b>11,086</b>	<b>Total Budget to be funded</b>	<b>11,253</b>	<b>11,617</b>	<b>11,387</b>	<b>11,500</b>
	<b>Financed By</b>				
1,578	Rate support Grant	1,088	774	518	300
1,597	Business Rates	1,635	1,684	1,735	1,788
-20	Contribution to Parishes	-17	-15	-12	-10
6,978	Council Tax	7,111	7,246	7,383	7,524
	Freeze Grant for 2014/15				
525	New Homes Bonus	700	700	700	700
	Increase in Tax Base	20	30	40	50
173	Special Expenses	173	173	173	173
<b>10,831</b>	<b>Total Finance</b>	<b>10,710</b>	<b>10,592</b>	<b>10,537</b>	<b>10,525</b>
<b>255</b>	<b>Funding Gap/Savings</b>	<b>543</b>	<b>1,026</b>	<b>850</b>	<b>975</b>
	<b>Savings required</b>				
255	Reqd in 2014/15	255	255	255	255
	Reqd in 2015/16	288	288	288	288
	Reqd in 2016/17		483	483	483
	Reqd in 2017/18			(176)	(176)
	Reqd in 2018/19				126
<b>255</b>	<b>Total savings</b>	<b>543</b>	<b>1026</b>	<b>850</b>	<b>975</b>

<b>ANNEX D</b>						
<b>GENERAL FUND CAPITAL AND REVENUE BALANCES ESTIMATED 2013 TO 2019 WITH NO COUNCIL TAX FREEZE</b>						
<b>Estimated Balance 31-Mar-14</b>		<b>Estimated Balance 31-Mar-15</b>	<b>Estimated Balance 31-Mar-16</b>	<b>Estimated Balance 31-Mar-17</b>	<b>Estimated Balance 31-Mar-18</b>	<b>Estimated Balance 31-Mar-19</b>
<b>£000</b>	<b>Capital Reserves</b>	<b>£'000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
1,200	Capital Receipts	675	170	150	150	150
<b>1,200</b>	<b>Sub Total Capital Reserves</b>	<b>675</b>	<b>170</b>	<b>150</b>	<b>150</b>	<b>150</b>
	<b>Earmarked Revenue Reserves</b>					
12	Atrium Public Art	11	11	10	10	9
0	Atrium Development Agreement	0	0	0	0	0
350	Atrium s106	275	225	150	75	0
144	Blackwater Valley & Developer Conts	100	75	50	25	0
22	Gum Machine	20	18	15	12	10
838	Commuted Sums	600	500	400	300	200
410	Community Fund	340	260	200	150	100
144	Crime and Disorder Partnership	70				
373	Deepcut Commuted Sums	350	340	330	320	310
46	Heathside Muga	38	36	34	32	30
239	Insurance	100	90	90	80	80
404	Land Drainage	350	300	300	250	250
34	Land Charges	24	24	0	0	0
81	new burdens	0				
20	Old Dean Toddlers Playground	15	12	12	10	8
115	Personalisation	0				
134	Sec 106	100	70	50	30	10
294	Planning Tariffs	250	300	250	300	200
1,695	Repairs and Property Fund	1,570	1,450	1,330	1,200	1,100
45	Remediation Fund	45	45	45	45	45
698	SANGS	750	1,000	1,250	1,500	1,750
<b>6,098</b>	<b>Total Earmarked Revenue Reserves</b>	<b>5,008</b>	<b>4,756</b>	<b>4,516</b>	<b>4,339</b>	<b>4,102</b>
	<b>Other Revenue Reserves</b>					
9,237	Capital Revenue Reserve	8,987	8,737	8,002	7,247	6,492
250	Waste Reserve	0	0	0	0	0
200	New Homes Bonus	593	1,094	1,594	2,094	2,594
1,377	General Fund Working Balance	1,377	1,322	1,322	1,322	1,322
<b>11,064</b>	<b>Total Other Revenue Reserves</b>	<b>10,957</b>	<b>11,153</b>	<b>10,918</b>	<b>10,663</b>	<b>10,408</b>
<b>18,362</b>	<b>TOTAL RESERVES</b>	<b>16,640</b>	<b>16,079</b>	<b>15,584</b>	<b>15,152</b>	<b>14,660</b>

<b>ANNEX D</b>					
<b>CAPITAL EXPENDITURE FORECAST 2013 To 2019</b>					
<b>PRUDENT NO FREEZE</b>					
	<b>Estimated 2014/15 £'000</b>	<b>Estimated 2015/16 £'000</b>	<b>Estimated 2016/17 £'000</b>	<b>Estimated 2017/18 £'000</b>	<b>Estimated 2018/19 £'000</b>
Disabled Facilities Grants	500	500	500	500	500
Renovation Grants	25	25	25	25	25
IT	50	50	50	50	50
Planned Property Maintenance	150	150	150	150	150
Capitalised Salaries	100	100	100	100	100
Equipment Replacement Program	150	150	150	150	150
<b>GRAND TOTAL OF ALL SCHEMES</b>	<b>975</b>	<b>975</b>	<b>975</b>	<b>975</b>	<b>975</b>
<b>CAPITAL RECEIPTS RESERVE B/F</b>	<b>1,200</b>	<b>675</b>	<b>170</b>	<b>150</b>	<b>150</b>
Add: Funding from Capital Revenue Reserve	0	0	485	505	505
Add: Funding from Revenue	150	150	150	150	150
Add: Government Grant	270	270	270	270	270
Add: Capital Receipts	30	50	50	50	50
Less: Capital Expenditure	(975)	(975)	(975)	(975)	(975)
<b>CAPITAL RECEIPTS RESERVE C/F</b>	<b>675</b>	<b>170</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>CAPITAL REVENUE RESERVE B/F</b>	<b>9,237</b>	<b>8,987</b>	<b>8,737</b>	<b>8,002</b>	<b>7,247</b>
Less: Transformation	(250)	(250)	(250)	(250)	(250)
Less Funding Required for Capital	0	0	(485)	(505)	(505)
<b>CAPITAL REVENUE RESERVE C/F</b>	<b>8,987</b>	<b>8,737</b>	<b>8,002</b>	<b>7,247</b>	<b>6,492</b>

**Steps to assist the Council to meet its future financial challenges**

Government Policy is all about rewarding those Councils that deliver hard physical development, increase income and reduce costs. It is therefore important that amongst other things that:

- a) Businesses are supported/attracted to enable them to grow either through expansion of existing premises or the building of new ones. This means having a planning environment that delivers development. Development not only generates additional business rates but generates employment and supports local companies
- b) New house building is supported and property owners encouraged to bring empty housing back in to use. This not only gives additional new homes bonus and Council Tax but also reduces the number of people looking for housing.
- c) Discretionary services are enabled to become self-supporting. I.e. Income generated should cover the true cost of delivering a service. This is because these services receive no government funding as there is no legal obligation to provide them.
- d) Partnership working is embraced to deliver savings. Government policy is clearly geared at driving authorities, especially districts, closer together. Residents are generally only concerned about the quality of the service they receive not who provides it.
- e) Shared services and joint contracting be used to lever savings from the commercial sector. The joint waste project shows how this has the potential to deliver significant savings.
- f) Demand for services and customer expectation to be managed to reduce costs. This means finding more cost effective ways for people to access services whilst reducing the availability of more expensive methods.
- g) Income from our own estate is increased. This means creating space for more tenants in Surrey Heath House by applying the current space policy and flexible working practices for our own staff. It also includes supporting the redevelopment of our own assets to generate income to support services as well as creating more houses and businesses.
- h) New ways of generating income be encouraged and embraced be it through advertising, selling and marketing. Always remember that this income is needed to support services that people value the most.
- i) The cost of operating the Council is reduced. This could include reviewing the number of members and reducing administration through more delegation of decisions, fewer meetings, streamlined reporting and performance management systems.
- j) In order to protect the Council's revenue base Council Tax is increased to the maximum amount permitted without triggering a referendum. Government freeze grants should only be accepted if it is financially sustainable to do so.