

Portfolio:	Non
Date signed off:	Executive Function
Ward(s) Affected:	All

Purpose

To approve the Council's Budget and Council Tax for the Financial Year 2018/19.

INTRODUCTION

1. The purpose of this paper is to enable the Council to set its Budget and Council Tax for 2018/19. This decision cannot be delegated to the Executive.
2. 2018/19 represents the second year of a three year settlement for Councils published in 2016. The settlement as announced in December 2017 for 2018/19 is in line with this and, although it is subject to confirmation by Parliament this month, is not expected to change significantly. In monetary terms, excluding new homes bonus, there has not been a significant change in funding between 2017/18 and 2018/19. The Council still receives no revenue support grant and the baseline for business rates has changed slightly. The significant change occurs in 2019/20 when the Council will move in to "negative grant" and have to pay almost £1m to Government. The Minister, in his statement, recognised the issues around this and has promised to undertake a review to ensure that this issue is addressed in a "fair and affordable way". This, coupled with the "Fair Funding Review" and the changes to business rates significantly increases the uncertainty around Government funding going forward and makes it even more imperative that Councils look at ways of securing their own revenue stream to fund services in the years to come.
3. On a positive note the settlement announcement did confirm that the changes to New Homes bonus consulted on earlier in the year were not implemented. However the amount this incentive generates has been reduced by almost due to the change made last year. In addition, Surrey had its bid to be a Business Rates pilot for a year agreed which should see significant additional resources being retained in the county which would otherwise be lost.
4. Councils are obliged by law to set a balanced Budget and this must be certified by the If this certification is not given then the Budget cannot be set nor Council tax levied, which would impact on services. Surrey Heath has managed to fulfill this obligation every year despite reductions in funding by increasing efficiency and seeking new sources of income – however with each year that passes this is becoming more difficult.
5. Surrey Heath has invested money in property which is to generate a surplus after borrowing costs and loan repayments of £1.9m this year. This is equivalent to a 25% increase on Council Tax and represents a significant

funding stream for the Council. Such a strategy is not without risk but there is really no other form of investment which can generate the returns required to deal with Government funding reductions and protect services. The Medium Term financial forecast shows an increasing budget gap going forward and therefore such income generating opportunities coupled with housing development will be needed to address these budgetary challenges in the future.

6. The Budget for 2018/19 shows an overall increase of £561k due to:
 - one off items funded from reserves for grounds maintenance and waste contract implementation.
 - Increase in payroll costs due to investment in staffing and pay increases driven by inflation
 - Reductions in grants from Surrey County Council in particular for waste which have had to be absorbed
 - Increases in costs driven by inflation and the fall in sterling
 - Some of these increases have been offset by an increases in income – particularly from property.

Overall there is no general savings target required this year within the Budget and none of this year's New Homes Bonus was needed to support revenue expenditure.

7. The total Budget is attached as Annex A to this paper. The detailed Revenue Estimates, which show each Budget page and portfolio, from which this summary Budget is built up are available on Escene and in the Member's Room.
8. In December 2017, the Government announced that the referendum trigger for Council Tax for Districts will be set at 3% or £5 whichever is the higher for 2017/18. It has been assumed, in this paper, that a 2.97% increase will be applied although members can set any increase they wish. The difference between the proposed increase and the £5 is £1.12 per year for a Band D property. Increases over £5 will be subject to a referendum at the Council's expense. Given that the Government has assumed in its Local Authority funding models that Council Tax will be increased to the maximum permissible the Section 151 Officer urges members to do this. This will then go part way to addressing the financial challenges the Council faces in 2019/20 and beyond and hence maintaining services.
9. Upper tier authorities can increase their Council Tax by up to 3% and add an additional 3% for social care. As in previous years Districts are not permitted to levy the additional 3% adult social care precept despite the fact that a number of these services are actually provided by Districts. Surrey has indicated that it intends to take advantage of this and increase its precept by the full 5.99% permitted. In addition Police and Crime Commisisoners were given permission to increase their band D precept by £12 or for Surrey 5.3%. Hence, excluding parishes, a Band D taxpayer is likley to see their bill increase by almost £98 or 5.55% of which only £6 is due to the Surrey Heath precept.

GENERAL FUND REVENUE ESTIMATES

10. The Executive considered the Budget as outlined in this paper on the 6th February 2018 and, whilst recommending the Budget, decided to reserve its position on Council Tax for this meeting.
11. The complete Budget is attached as Annex A to this paper. To aid understanding this has been broken down into sections and is examined in more detail in the next part of this report.

Net Cost of Services

12. The table below shows the breakdown of the net cost of services.

NET COST OF SERVICES			
	2017/18	2018/19	Variance
	Budget	Budget	
	£	£	
Business	1,644,978	988,940	-656,038
Community	5,106,533	4,528,940	-577,593
Corporate	1,501,660	1,674,200	172,540
Finance	1,807,400	1,501,060	-306,340
Legal and Property	-719,390	-18,390	701,000
Investment and development	-1,784,860	-1,840,490	-55,630
Regulatory	3,140,899	2,010,950	-1,129,949
Transformation	583,420	3,245,490	2,662,070
	11,280,640	12,090,700	810,060
Less: Staff cost amendments	192,906	200,000	7,094
Add: Minimum Revenue Payment	1,389,000	1,353,000	-36,000
Internal asset charges reversed	-2,075,410	-2,294,700	-219,290
NET COST OF SERVICES	10,787,136	11,349,000	561,864

13. The net cost of services is made up of a summation of all the individual service Budget sheets which are then adjusted for a number of other items to give the net cost of services.

Service Budgets

14. A detailed Budget book containing the Budget for each individual service is available on line and breaks down the £12,090,700 total service expenditure.
15. This year sees a significant change to the way the Budget is being presented and costs allocated. In previous years costs for "Support Services" such as finance, legal, ICT etc had to be allocated across each "front facing" service to give an idea as to what the "true" cost of providing that service was. In 2017/18 CIPFA removed this requirement and so this year the Budget is being presented differently. Service costs now only consist of the direct cost of delivering that service and support services are shown in total. This has the

advantage of ensuring that service budgets only contain those costs which are in the control of the budget manager and also ensures that the overall cost of providing each support service can now clearly be seen. This change does mean that a direct comparison of the Budgets for services as per the above table is now meaningless and it is better to use the information supplied in the Budget book. This issue will resolve itself next year as both years will have been prepared on the same basis. The cost of services in the Budget Book does however allow a direct comparison as both years have been prepared on the new basis and this is reproduced below.

SERVICE BUDGETS FOR 2018/19					
	<i>Current Annual Budget 2017/18</i>	<i>Prior Year Non Recurring Items Removed</i>	<i>Annual Budget 2017/18 (excl b/fwd)</i>	<i>Net Movement</i>	<i>Budget Requirement 2018/19</i>
Business	903,497	-95,000	808,497	180,443	988,940
Community	4,236,119	-50,000	4,186,119	342,821	4,528,940
Corporate	1,693,620	-65,000	1,628,620	45,580	1,674,200
Finance	1,329,835	29,395	1,359,230	141,830	1,501,060
Legal	-99,020	0	-99,020	80,630	-18,390
Inv Dev & Civic Duties	-1,673,300	55,000	-1,618,300	-222,190	-1,840,490
Regulatory	2,388,163	-387,683	2,000,480	10,470	2,010,950
Transformation	3,462,974	-166,000	3,296,974	-51,484	3,245,490
Total	12,241,888	-679,288	11,562,600	528,100	12,090,700
Reconciliation:					
Less: carry forwards	-445,000				
Less: SE for appeals	-200,000				
Less: SE for KC fund	-100,000				
Less: 2017/18 pay rise not in services	-210,000				
rounding	-6,248				
Per net cost of services	11,280,640				

16. An explanation of the main changes to Budgets based on the Budget book is set out below:

Business

17. At first sight the Business service has increased its net budget on a like for like basis by £180k. However once one-off expenditure, funded from reserves, for sangs and playgrounds is removed the net budget is virtually level. All growth has been absorbed, particularly the large increases in business rates, through savings elsewhere and some modest growth in income. The Theatre has reduced its net subsidy by over 1/3rd to just under £100k. To put this in to context this is about 1/10th of the cost of providing the boroughs parks and open spaces. There has been virtually no change to the net return on parking. Savings on lighting and repairs have been used to pay for the increase in business rates. An increase in charges will be required to fund the capital

improvements that have already been made to the car park and future aspirations – this has not been reflected in the Budget at the moment.

Community

18. Community Services show an increase of £342k on the budget last year. Staffing costs have increased in some areas, particularly environmental enforcement, reflecting increased resources in this and other areas. The largest increase in costs however has been in waste and recycling. This is showing a total increase of £264k. However of this £180k is one off for the contract implementation, £440k has been lost in grants from SCC and an additional £100k is being charged as rent for the depot, based on a valuation, but in fact comes back to the Council. If all these are factors are taken in to account then the £264k additional costs actually becomes a £456k saving from the new contract. There are also potential future savings arising from reductions in the contract management team as the four Councils come together as well as savings from the contact centre as calls are no longer handled by them.

Corporate

19. The Corporate service net budget has increased by £46k. This is due to a slight increase in staffing and also the costs of events, such as the Camberley International Festival, being included within the Budget at the start of the year. For the first time the cost of staffing for the contact centre is shown as a separate page within this service rather than being redistributed across all functions.

Finance

20. There has been an increase in the net budget for finance of £140k. However this includes a £200k provision for a pay increase for all staff which will be allocated across all salaries over the year. Once this has been taken in to account the cost for finance has actually fallen by £60k. This is in the main due to staff which had been previously categorised as “corporate” being allocated to other departments. The cost of providing the finance services is also shown as separate cost centre within this service

Investment and development

21. This was a new area created last year. Its budget has fallen by £167k. The largest element of this is the £148k reduction was in interest costs on the borrowing for the town centre which has now been set at 2% on the advice of our treasury advisors.

Legal and Property

22. Legal and property has an increase in their Budget of £80k. This is driven by the £270k for Ashwood House representing additional running costs and lost rent offset by an increase of £200k from the rental of other properties, including £100k from Community Services for the depot. It should be noted that having the ground floor empty at Ashwood has enabled there to be a

more comprehensive development leading to a larger capital return for the Council. In addition the Council is working closely with its property advisors to ensure that Ashwood House is able to be let as quickly as possible when the construction works have finished. This service now includes for the first time the total staffing cost of the legal function as well as public offices costs within its Budget, rather than the costs being redistributed as in the past.

Regulatory

23. Regulatory has only a net change of £10k within its Budget. Any growth has been offset with savings within the service.

Transformation

24. Transformation has reduced its overall Budget by £50k. Although software licence costs have increased by £100k this has been cancelled out by a reduction in depreciation. However as depreciation does not actually get charged to tax payers this is not a saving in the Council's overall Budget.

Employee costs

25. Employee costs, which total approximately £10.7m including pensions, have increased due to a number of factors:
- Employment of staff to manage the Council's new functions, such as property, and also to generate income;
 - Increase in the costs of employment driven by the rate of inflation and the competitive local market;
 - Increase in pensions costs to cover historical deficits;
 - Increase due to staff moving up the pay scale and being awarded increments.

Other Items

26. The "Net Cost of Services" is made up a summation of the individual Budget sheets by service. These are then adjusted for a number of different items as follows:

Staff cost amendments

27. This line represents increases in the funding of historical pension deficits.

Minimum Revenue Payment

28. The Council has entered into loans to purchase property and has also borrowed internally to fund the capital program. The Minimum Revenue Payment or MRP is a charge that is made against revenue to repay debt. The interest on loans is charged against the services.

Internal asset charges reversed

29. Services are charged for their "use" of assets to reflect the "wearing out" of those assets. However local authority accounting rules do not permit these

costs to be charged to Council Tax and so they are removed from the Budget. This is in contrast to the private sector where depreciation is a charged against profit and hence ensures that profits are held back for the replacement of assets when required.

Contribution to the Budget from property purchased in 2016/17

30. Property purchased in 2016/17 is making a significant contribution to the Budget as shown below:

Property Investment contribution to General fund 2018/19					
	Albany	Square	St Georges	Total	
	£000	£000	£000	£000	
Rent	1,077	4,789	511	6,377	
Property costs	0		65	65	
Professional costs	18		16	34	
	18	0	81	99	
Profit before interest	1,059	4,789	430	6,278	
Interest costs	-314	-2,094	-259	-2,667	
Profit after interest	745	2,695	171	3,611	
Minimum Revenue Payment				-1,353	
Strategic Property costs				-342	
Contribution to general fund				1,916	

31. Based on the £130m price paid this equates to a return of 2.5% before debt repayments.
32. It is recognised that there are risks with property investment in that the income can fall but it is worth stating that had the Council not done it a number of services would have had to be cut to reflect the reductions in Government Funding set out in this paper. In addition without ownership of Camberley Town Centre the Council would not be in the best position to advance it's regeneration aspirations.

Surrey Heath Borough Council Council Tax Requirement

33. Not all of the "Net Cost of Services" is paid for by Council Tax payers. Hence in order to get to the "Council Tax requirement", which represents the amount residents actually pay deductions are made to allow for sources of funding. This is summarised in the table below:

COUNCIL TAX REQUIREMENT 2018/19			
	2017/18	2018/19	
	£	£	
NET COST OF SERVICES	10,787,136	11,349,000	
Less: External Interest earned	-300,000	-160,000	
Less: Internal Interest earned	0	-150,000	
Add: Contribution to Parishes	19,943	19,943	
BUDGET REQUIREMENT	10,507,079	11,058,943	
Less: Collection Fund Surplus	-238,258	-379,500	
Less: Business Rates baseline	-1,464,663	-1,508,666	
Less: Additional Business Rates	-200,000	-200,000	
Less: New Homes Bonus	-1,226,266	-863,886	
Less: Other Grants in settlement	-84,448	0	
Add: Tfr to Reserves	1,226,266	863,886	
Less: Funding from Reserves	-645,000	-816,390	
Add: Parish Precepts	557,575	569,890	
COUNCIL TAX REQUIREMENT	8,432,285	8,724,277	
Less: Special Expenses	-176,000	-180,000	
Less: Parish Precepts	-557,575	-569,890	
OWN COUNCIL TAX REQUIREMENT	7,698,710	7,974,387	
<i>Band D equivalent Properties</i>	<i>37,318.03</i>	<i>37,540.62</i>	
<i>Base Council Tax per Band D property</i>	£206.30	£212.42	

34. These items are now explained in more detail below:

Investment Income

35. During 2017/18, on the advice of the Council's treasury advisors, the Council cashed in a number of its investments in order to repay debt. This has resulted in a lower Budget for external investment income for 2018/19. Services are charged the full cost of borrowing whether it is funded externally or not and so this results in interest being earned "internally" which is reflected in the Budget.

Contribution to Parishes

36. The Council pays a special grant to parishes to compensate them for the change to the tax base due to the introduction of the Local Council Tax support scheme (LCTSS). Despite the Government not providing funding to

pay for it the Executive has proposed that for the year 2018/19 the grant be maintained at its current level.

Support for Parishes due to the LCTSS within 2018/19 Budget

Parish/Town	Support given in 2017/18	Support for 2018/19
Bisley	1,334.30	1,334.30
Chobham	2,962.87	2,962.87
Frimley and Camberley	8,116.98	8,116.98
West End	1,591.65	1,591.65
Windlesham	5,937.64	5,937.64
TOTAL	£19,943.44	£19,943.44

Members are asked to NOTE that there is no reduction in support for parishes.

Collection Fund

37. 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 principal precepting bodies.
38. Due to better than predicted collections and additional properties the Section 151 Officer has determined that a surplus of £3,000,000 can be declared for the year. Of this, £2,242,200 will be paid to Surrey County Council, £378,300 to the Police and Crime Commissioner, with the remaining £379,500 to Surrey Heath Borough Council. This will be used to support the Budget for 2018/19.

Members are asked to NOTE the Council Tax surplus of £3,000,000 being declared

New Homes Bonus

39. In 2010 the Government introduced an incentive to encourage house building. This rewarded local authorities for the number of houses they constructed and also provided an additional payment for any affordable units built. The payment was calculated each year using the tax base growth and was originally paid in the 6 years following the increase in the base. i.e. if a house was completed in year 1 then the Council would receive payments in years 2 to 7.
40. In December 2016 the Government announced a number of changes to the NHB going forward. These were as follows:
 - In 2017/18 the incentive will be paid for 5 years rather than 6;
 - In 2018/19 and onwards the incentive will be paid for 4 years rather than 5;

- There will be an assumed housing delivery of 0.4% of the tax base each year For Surrey Heath this is equal to 149 units which will not qualify for NHB. This percentage may well increase in the future.

Although further changes were expected for 2018/19 these have been deferred by the Government.

41. The Settlement announced on the 19th December 2017 has indicated that Surrey Heath can expect to receive £863,886 in New Homes Bonus for 2018/19. Of this £251,603 has been generated by the increase in the tax base over 2017/18. The Government has committed to retaining New Homes Bonus as an incentive in the future although its value may well decline over time. In fact the payment this year is 30% less than the payment last year.
42. NHB is not “new” money and instead comes out of redistributed local authority funds – mainly by top slicing business rates. However although it was a useful source of revenue and a valuable incentive for housing delivery its effectiveness will decrease as the reward is reduced on future years.
43. The Government has assumed that New Homes Bonus is there to support on-going services and indeed include it in their calculation of “Core Spending Power” which lists the resources Councils have to deliver services. Despite this, it has continued to reduce the level of funding payable under this method. Fortunately, because of the Council’s investment plans under key priority 2, this income is not required this year to support the revenue Budget.

Transfers to reserves

44. This represents the New Homes Bonus placed in to reserves.

Transfers from Reserves

45. As in previous years £816,390 of expenditure is funded directly from reserves as follows:
 - £75,000 of expenditure relating to community grants included in the Budget is being funded from the community fund;
 - £250,000 of costs related to Transformation is being financed from the Capital Revenue reserve as it is deemed to be an investment to deliver transformational change to Council services and thus deliver savings in the medium term. This may become an additional Budget pressure going forward;
 - £62,390 for grounds maintenance from the SANGS reserve;
 - £109,000 for grounds maintenance and playgrounds from commuted sums;
 - £140,000 from reserves for Family Support;

- £180,000 from Recycling reserve to support the implementation of the new joint waste contract.

Members are asked to NOTE that expenditure of £816,390 is funded from reserves.

Share of Business Rates

46. In 2015 the Government introduced a partial localisation of business rates whereby business rates gains and losses are shared with Councils. Under these arrangements for each additional £1 collected above the initial baseline 50p goes to Government (to be redistributed as grants such as New Homes Bonus, RSG etc). 10p goes to Surrey CC, 20p to fund a safety net for areas suffering large reductions in rateable income and 20p remains in Surrey Heath. This means that for every £1 of growth achieved in the borough only 30p remains in Surrey and of that only 20p comes to Surrey Heath.
47. In the autumn of 2017, the Government invited Councils to apply to be business rates pilot area for 2018/19. Councils selected would be able to retain 100% of any growth generated in their local area and this would be shared by local arrangement. The pilot submitted for Surrey shared the 20% safety net levy between the county and the districts and gave the whole of the 50% Government share to the County. This resulted in an overall split of any growth of 70% to the county and 30% to the Districts. This split was chosen so as to reflect the relative funding requirements of each tier, to take account of the fact that the County would lose all its RSG if it became a pilot and to maximise the chance of success. As a further incentive, each District was promised a minimum of fixed share from any gains before the application of the 70:30 split. As the pilot announcement was only made recently and the final figures have not been released, no uplift in respect of the pilot has been included within the Budget.
48. It is worth stating that the pilot only applies to **growth** above the baseline set by Government. It does not mean that ALL business rates collected within Surrey remain in Surrey - a tariff will still be applied to redistribute Business Rates across the country. So in respect of Surrey Heath this will still mean that of the £34m collected only £1.5m will initially be retained in Surrey Heath. Any growth achieved over the £34m will benefit from the new pilot arrangements and be retained in Surrey rather than being redistributed
49. Currently if Surrey Heath falls more than £110k below the £1.5m baseline it can call on a Government financial safety net. In a pilot, the safety net applies to the whole pilot area and so each Council in the pilot will need to be prepared to give up its gains to any Council suffering losses. In order to make the pilots more attractive the Government has promised that no individual Council will be any worse off in the pilot than out thereby reducing this risk.
50. The Executive approved the application for a Pilot in October 2017 and gave authority to the Executive Head of Finance to agree the final terms. The Memorandum of Understanding between the Councils is being worked on at

the moment with DCLG and so authority is now being sought to finalise and enter in to the Memorandum of Association to put the pilot in to effect.

Members are asked to RESOLVE that authority be given to the Executive Head of Finance to finalise and enter in to the Surrey Business Rates Pilot.

51. The table below shows the level of business rates the Government expects Surrey Heath to collect and how this translates into actual funding:

**Total Business Rates and Council Share
2018/19 to 2019/20**

	Non Pilot 2017/18 Actual £000	Pilot 2018/19 Provisional £000	Non Pilot 2019/20 Assumed £000
Baseline - assumed minimum collected	33,475	33,420	34,773
Less: 50% to Government	-16,738		-17,386
Less: 10% to SCC	-3,348		-3,477
Less: 70% to SCC		23,394	
Share for SHBC	13,390	10,026	13,909
Less Fixed Tariff	-11,925	-8,517	-12,367
Business Rates for SHBC	1,465	1,509	1,542
Less Tariff Adjustment	0	0	-933
Remining share of Business Rates	1,465	1,509	609
%age share	4.4%	4.5%	1.8%
Safety Net	1,355	1,463	1,426

52. The above table reflects the figures released in the provisional settlement on the 19th December 2017. It is difficult to predict with any accuracy what will happen beyond 2019/20 and so no details have been included. Factors which will influence this include the introduction of Localisation of Business Rates for the entire sector, impact of changes to the “Fairer funding formula” and in 2020/21 the “baseline reset”. In addition the 2019/20 figures, released with the December settlement, continue to include the “negative tariff” but the Minister

did say that the Government would be addressing this issue but that any solution had to be “fair and affordable”.

53. The Council has worked hard to increase economic activity in the borough through hard development. The business rates team works to ensure that all properties that attract business rates are placed on the register and billed as quickly as possible and that businesses have the correct reliefs and entitlements. Under the pilot, a new development, say of the size of Waitrose in Bagshot, would generate about £150k in additional business rates income for the borough. Hence economic growth and development are key not only to driving jobs and economic development but also income for the Council.

Local Government Settlement 2018/19

54. The Council received no general grant for services in 2017/18 and this is set to continue in to 2018/19. In 2019/20 the Council look set to move in to “negative grant” whereby it will be required to “pay” over £900k to the Government but this is currently under review.

55. The table below includes the settlement as it has been announced so far.

	Final	Final	Final	Final	Final	Final	Provisional	Anticipated
	Allocation	Allocation						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£0	£0	£0	£0	£0	£0	£0	£0
Core Funding								
Revenue Support Grant	63	1,415	1,441	965	357	0	0	0
Share of Business Rates	3,080	1,370	1,304	1,330	1,435	1,465	1,509	1,542
Transitional Grant					133	84	0	
Tariff adjustment								-933
	3,143	2,785	2,745	2,295	1,925	1,549	1,509	609
Other Grants rolled in:								
Council Tax Freeze Grant	176	176	176	174				
Homelessness Grant		50	50	49				
Returned funding			3	0				
Council Tax Support Funding		419						
	3,319	3,430	2,974	2,518	1,925	1,549	1,509	609

56. Members should note that there has been a steep reduction in funding over the last five years and that is likely to continue. Grants given for “new burdens”, such as the transfer of Council Tax Benefit to Councils in 2013/14, have now disappeared completely after being rolled in to the Revenue Support Grant.
57. The Final Settlement was laid before Parliament on the 6th February 2018 and resulted in no changes to the draft settlement issued in December 2017 save that there were small adjustments made to tariffs and top ups. These did not alter the baseline funding requirement nor the overall budget.

Special Expenses

58. These reflect the cost of providing services to non-parished areas which in parished areas are funded by a parish precept. The charge is billed as a separate item to non-parished areas in a similar way to a precept in parished areas.

Council Tax

59. Each property in the borough is placed in one of eight 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. The mix of houses in the borough means that Surrey Heath has one of the highest proportions of top banded properties in the country.
60. Council Tax is levied on what is known as the “tax base” or the number of Band D equivalent properties in the borough. Due to the Council supporting housing development the base has risen this year by 222 Band D equivalent properties. This will generate an additional £45k in income for the borough. The base is shown in the table below:

COUNCIL TAX BASE 2018/19				
		2018/19	2017/18	Change
Bisley		1,587.78	1,566.16	21.62
Chobham		1,969.27	1,960.49	8.78
Frimley and Camberley		23,871.57	23,664.75	206.82
West End		2,020.58	2,027.92	-7.34
Windlesham		8,091.42	8,098.72	-7.30
Total		37,540.62	37,318.03	222.58

61. 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.
62. **The Council is at liberty to set whatever level of Council Tax it so wishes** but is obliged to hold a referendum on any increase if it exceeds the capping limits set by the Minister. This has been set at £5 or 3% whichever is the higher for all Districts. The cost of the referendum would fall on the Council.
63. The current Surrey Heath Band D Council Tax is £206.30. An increase of just under 3% would increase it to £212.42. The impact on a Band D taxpayer of a 3% increase compared to £5 is £1.12 a year.
64. Councils with Adult Social care responsibilities, such as Surrey County Council, are allowed to levy an additional social care precept of 3% on top of their Council Tax limit of 3%. Surrey County Council have decided to levy this precept in full taking their increase to just under 6%.
65. Police forces have been given the flexibility to increase their precept by up to £12. The Surrey Police and Crime Commissioner has announced his intention to do that to help offset cost pressures the Police are facing.

Taking all these increases in to account the total impact on a Band D taxpayer is shown below:

	2018/19	2017/18	£ change	% change
	£	£		
Surrey Heath Borough Council	212.42	206.30	6.12	2.97%
Surrey County Council	1,411.29	1,331.55	79.74	5.99%
Surrey Police and Crime Commissioner	236.57	224.57	12.00	5.34%
	<u>1,860.28</u>	<u>1,762.42</u>	<u>97.86</u>	<u>5.55%</u>

66. Given the longer term financial implications the **Sec 151 Officer would urge members to increase Council tax this year for Surrey Heath by the maximum permitted just under 3%**. Only by doing this can some certainty be brought in to Council funding and services be protected for future years

Members are asked to NOTE the trigger of the higher of 3% or £5 for “excessive” Council Tax increases set by the Minister

Parish Precepts

67. Each Parish within Surrey Heath is able to set its own “precept” or charge. This is collected by the borough from residents as part of their Council Tax at no charge.
68. Parishes are not subject to the referendum rules and can set any level of precept they wish.
69. The parish precepts are shown below:

Parish	2018/19			2017/18			Increase
	Tax Base	Precept	Band D	Tax Base	Precept	Band D	
Bisley	1,587.78	96,465	60.75	1,566.16	92,406	59.00	2.97%
Chobham	1,969.27	77,037	39.12	1,960.49	77,037	39.29	-0.45%
West End	2,020.58	90,877	44.98	2,027.92	86,864	42.83	5.00%
Windlesham	8,091.42	305,511	37.76	8,098.72	301,268	37.20	1.50%
Total Parishes	<u>13,669.05</u>	<u>569,890</u>	<u>41.69</u>	<u>13,653.29</u>	<u>557,575</u>	<u>40.84</u>	<u>2.09%</u>

TOTAL BUDGET

70. The overall Budget reflecting all of the information above is attached as Annex A.

OTHER MATTERS

Reserves and Provisions

71. The Council maintains a number of earmarked reserves and provisions. These are reviewed on an annual basis by the Performance and Finance

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 £18m at the 31st March 2019. However there are no capital reserves meaning all capital expenditure must be funded through borrowing.

Adequacy of the General Fund

72. The General Fund reserve is the Council's contingency fund which needs to be sufficient to deal with any unexpected expenditure.
73. Provided Council Tax is increased as predicted that the General Fund will be at least £2.0m at the 31st March 2019.
74. In respect of the General Fund working balance, a risk calculation (Annex C) indicates that a minimum balance of £2m 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.

Fees and Charges

75. A number of fees and charges have been increased and have been approved in accordance with the Financial Regulations. These changes are reflected within the Budget. A list of these can be found on the Council's website under Finance.

MEDIUM TERM FINANCIAL FORECAST

76. A requirement of the Budget setting process is that a financial forecast is prepared that attempts to model the Council's finances over the near term. This year this has proved to be especially difficult as the Government has given no indication as to the level of Local Government funding beyond 2019/20. Hence the forecast has been done using the "best guess" of the Council's future resources provided by its advisors LG futures.
77. The forecast assumes that there will be no radical changes to services or income save for the impact of inflation. In addition large capital projects have also been ignored, for example the LRB development, since it has been assumed that they will at the very least be self financing and therefore not impact on the Council's service Budget.
78. The Council invested significantly in property during 2016/17 and this is resulting in good returns which now support services. Although these investments are not risk free, further investment will be required if future funding gaps are to be addressed.
79. The Financial Forecast is made up of 4 parts as follows:

Revenue fund projection

80. This rolls forward the current proposed Budget, reflecting future changes as agreed by Management Board and the assumptions in the table below.

Capital Expenditure forecast

81. This shows a projection of the level of Capital required based on known “approved” future expenditure. For the purposes of this forecast it has been assumed that significant capital projects will be funded by borrowing and be self-financing.

Capital and revenue balances

82. This sets out the predicted use of reserves based on the financial forecast.

Assumptions

83. The assumptions used in the forecast are set out below. It should be noted that these are only assumptions for the purposes of the financial model and should not be seen as an indication of policy for future years:

Forecast Assumptions

Category	Assumption
Inflation - wages	2.0%
Inflation - Expenses	1.5%
Investment Returns	1.5% to 2.0%
Government Funding	As per LG futures
Council Tax	3.0% pa increase
Fees and Charges	2.0%
Surrey CC funding	£200k reduction
Pension payments	No change
Increase in Property Income from Town centre	This will be used to fund additional borrowing for improvements

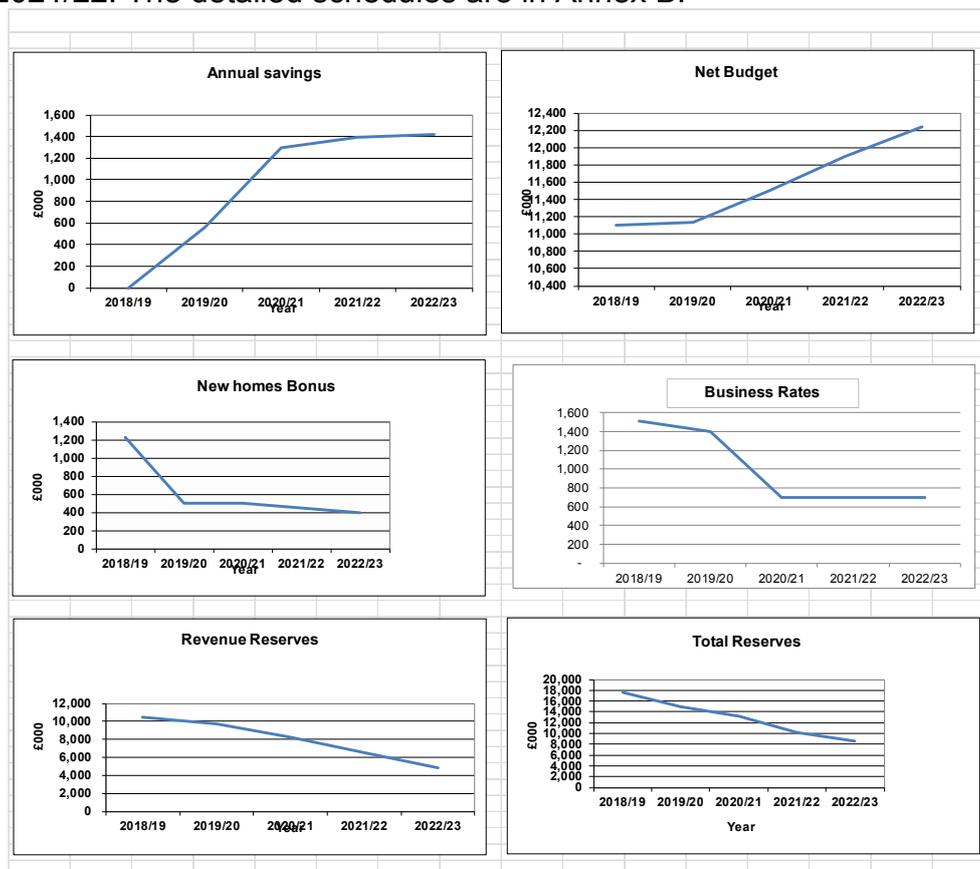
84. It should be noted that the above assumptions are not meant to indicate future policy but are only for illustrative purposes.

Risks to be considered in relation to financial forecast

85. The forecast is based on a set of assumptions that are in reality a “best guess”. This year more than ever there are a number of areas of uncertainty, particularly in relation to the local Government finance reforms, which potentially could have a huge effect on forecasts. There are also risks around the deliverability of income, especially from commercial property, as the Council is reliant on this for the delivery of some services.

Financial projection based on the proposed Budget for 2018/19

86. The graphs show the projected outcomes for the period from 2018/19 to 2021/22. The detailed schedules are in Annex B.



Explanation of Graphs

87. The meaning of the graphs is as follows:
- Annual Savings – It can be seen that around £1.3m of savings will be required by 2020/21 driven by reductions in funding, inflationary pressures and funding costs;
 - Net Budget – The net Budget increases as inflation and grant reductions take hold;
 - New Homes Bonus – this reduces steeply as the changes to the incentive introduced by Government take effect;
 - Business Rates – These fall as the Government applies the negative tariff;
 - Revenue reserves – These fall as they are used on the activities which they have been set aside for as well as capital expenditure;
 - Total reserves – These fall as reserves are spent.

Conclusions to be drawn from the Financial Forecast

88. The continuing trend of reducing Government funding coupled with inflation means that the Council has yet another £1.3m to find within the forecast period. In fact during this period the Council will become a net contributor to Government funds due to the negative grant. The Council has always pursued a policy of increasing income rather than cutting services to balance the Budget. This income could come from increases in charges for existing services, the development of new chargeable services and further investment in income generating assets. These are the objectives set out in Key Priority 2.
89. If, however this is not possible then service reductions coupled with a cessation of the Council's capital investment plans, or a closer collaboration with a neighbouring Council may be required to ensure that the Budget remains in balance.
90. Having no capital receipts means that the Council will need to continue to borrow to fund its capital aspirations. If these projects are not in themselves self-financing then the interest and Minimum Revenue Provision have to be covered. For every £1m borrowed about £50k revenue is required per year, assuming the asset has a life of 50 years, and so more income generating investments, or reductions in costs, will be required to cover this cost.

Risks and Sensitivity of the Financial Forecast

91. The uncertainties around Government funding and the assumptions that have had to be made has already been explained above. The table below gives an indication as to the impact of changes to the assumptions in the forecast so as to give an indication of its sensitivity.

Change in Factor	Cummulative impact on forecast over the forecast period
Expenses inflation +1%	-£0.936m
Wages inflation +1%	-£1.051m
Fees and Charges inflation +1%	+£0.683m
Council Tax increase -1%	-£0.863m
Main Commercial property rent - 5%	-£1.272m
Efficiency savings 2% pa on all costs	+£3.859m

Members are asked to NOTE the outcome of the financial forecast and the challenges it contains.

RISKS TO THE PROPOSED BUDGET

92. There are a number of financial risks contained within the Budget as follows:

Income Projections

93. 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.

Property income

94. The Council is reliant on property income to pay for services and to fund debt. This is subject to the commercial market and therefore can fall as well as rise. Although the Council does have sufficient reserves to deal with any short term issues this would present a challenge if it was for an extended period.

Inflation

95. Inflation has recently increased and this has been taken account of in the Budget. Were inflation to rise further this would be absorbed within existing Budgets.

Funding Risks

96. Business Rate risk is contained within the pilot provisions. The concerns in respect of the financial sustainability of the county presents risks to this Council through the funding it receives to fund services.

Members are asked to NOTE the risks outlined above

ROBUSTNESS OF THE 2018/19 BUDGET

97. 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.

98. The Council's Chief Financial Officer confirms he is satisfied that the preparation of the 2018/19 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.
99. The Chief Financial Officer would like to draw attention to:

- the risks within the Budget particularly around the reliance on income to fund services and;
- the continuing need to make further savings and/or income, as shown by the Medium Term Financial Forecast, if services are to be maintained in to the future.

Members are asked to note the comments in respect of the robustness of the 2018/19 Budget and the adequacy of Reserves, Provisions and the General Fund Working Balance

Conclusion

100. This time last year the the financial outlook had changed for the better due to the substantial investment made in property in 2016/17. Not only did the purchase bring the Council's aspirations for Camberley closer but it also went a long way to addressing the Council's financial challenges driven in the main by cuts in Government funding. For 2018/19 those property purchases are budgeted to contribute £1.9m to the Council's Budget – that is equivalent to an increase in Council Tax of 25%.
101. Sadly this investment has not entirely solved the Council's financial challenges. Further reductions in funding coupled with reduction in grants from partners and the funding of the Council's capital programme means that there remains a funding gap of at least £1.3m to be found.
102. The full localisation of business rates, the fair funding review and the promise by the Minister to look again at the "negative tariff" may address some of this gap – however this cannot be relied upon alone to address this issue. The Council will need to continue to drive more income from existing services, by increasing current charges as well as developing new chargeable services. This will need to be coupled with seeking further efficiencies in service delivery possibly through increased collaboration with other authorities. In addition there will also need to be further invested in income generating investments as well as ensuring that any capital spent is funded through increased returns – albeit not necessarily immediately – but at a future date as supported by a business case.
103. These actions are already exemplified by the Council's key priorities as follows:
- Deliver a improved Camberley Town centre in line with Key Priority 1:
 - *Refurbishment of the Square funded by increased rents*
 - *Rebuilding of LRB to generate a financial return to support services going forward*
 - *Increased housing in town centre to generate Council Tax.*
 - Deliver Growth in line with Key Priority 2:
 - *Property Investment for income and regeneration*
 - *House building to generate Council Tax*
 - *Business and economic growth for Business Rates*

- Deliver Income in line with Key Priority 2
 - *Increase Council Tax to provide certainty of funding*
 - *Increase income from services*
 - *Increase asset and investment returns*
 - Deliver Efficiency in line with Key Priority 3
 - *Smarter working through technology*
 - *Shared services with other organisations*
 - *Joint contracting with other Councils*
104. None of these solutions are without risk. Investment income can rise and fall, there can be resistance to new charges, working with partners can feel like a loss of control. However doing nothing is just as unpalatable. It would eventually mean stopping services and halting investment thus effectively reducing the size and importance of the Council and its ability to improve residents' lives.
105. There is no doubt that in an ideal world Councils would be adequately funded through taxation for the services they provide. However this is not likely to happen for a while and so Surrey Heath has to continue to be bold and take control of its own destiny taking account of whatever risks and opportunities this may give rise to.

Legal implications

106. 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.
107. 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

108. 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.

109. 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 to 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.
110. Where disproportionate negative impact and/or unlawful impacts 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.

Proposal to Members to Increase Council Tax by 2.97%

111. It is proposed that Members:
- i. NOTE that under delegated powers the Executive Head of Finance calculated the amount of the Council Tax Base as 37,540.62 (Band D Equivalent properties) for the year 2018/19 calculated in accordance with the Local Government Finance Act 1992, as amended;
 - ii. NOTE expenditure totalling £816,390 be charged directly to reserves;
 - iii. NOTE that an increase in Council Tax above 3% is deemed to be “excessive” by Government;
 - iv. NOTE the level of Minimum Revenue Provision required;
 - v. NOTE that the Council receives no Revenue Support Grant;
 - vi. NOTE the impact of the Business Rates Pilot and the previous authority given to the Executive Head of Finance to finalise the agreement;
 - vii. NOTE that there is no reduction in the grant given to Parishes for the Local Council Tax Support Scheme;
 - viii. NOTE that a Council tax surplus of £3,000,000 is being declared;
 - ix. NOTE the comments in respect of the robustness of the 2018/19 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 in respect of the Budget gap and the potential impact on the future financial sustainability of the Council;
- xi. NOTE that of the Council's Budget requirement, £180,000 be a special expense relating to the non-parished area of the Borough.
- xii. RESOLVE that authority be given to the Executive Head of Finance to finalise and enter in to the Surrey Business Rates Pilot.
- xiii. RESOLVE that the Budget Requirement for 2018/19 be £11,058,943 as set out in Annex A;
- xiv. RESOLVE that the Council Tax Requirement for the Council's own purposes for 2018/19 be £7,974,387 as set out in Annex A and;
- xv. RESOLVE that the Council Tax for 2018/19 (excluding special expenses and Parish precepts) be set at £212.42 for a Band D property being an increase of £6.12 for a Band D taxpayer compared to 2017/18.

Options

- 112. 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.
- 113. The Council can accept, amend or reject any of the proposals for levels of Council Tax as they see fit. Each 0.1% change in the level of Council Tax changes the savings required by approximately £7,500. Any alternative proposal would need to be assessed to ensure that the Budget remained robust and take into account the "referendum" principles if appropriate .

Recommendation Members to Increase Council tax by 2.97%

- 114. It is recommended that Members
 - i. NOTE that under delegated powers the Executive Head of Finance calculated the amount of the Council Tax Base as 37,540.62 (Band D Equivalent properties) for the year 2018/19 calculated in accordance with the Local Government Finance Act 1992, as amended;
 - ii. NOTE expenditure totalling £816,390 be charged directly to reserves;
 - iii. NOTE that an increase in Council Tax above 3% is deemed to be "excessive" by Government;
 - iv. NOTE the level of Minimum Revenue Provision required;
 - v. NOTE the impact of the Business Rates Pilot and the previous authority given to the Executive Head of Finance to finalise the agreement;

- vi. NOTE that the Council receives no Revenue Support Grant;
- vii. NOTE that there is no reduction in the grant given to Parishes for the Local Council Tax Support Scheme;
- viii. NOTE that a Council tax surplus of £3,000,000 is being declared;
- ix. NOTE the comments in respect of the robustness of the 2018/19 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 in respect of the Budget gap and the potential impact on the future financial sustainability of the Council;
- xi. NOTE that of the Council's Budget requirement, £180,000 be a special expense relating to the non-parished area of the Borough;
- xii. RESOLVE that the Executive Head of Finance be authorised to finalise and enter into the Surrey Business Rates Pilot;
- xiii. RESOLVE that the Budget Requirement for 2018/19 be £11,058,943 as set out in Annex A;
- xiv. RESOLVE that the Council Tax Requirement for the Council's own purposes for 2018/19 be £7,974,387 as set out in Annex A and;
- xv. RESOLVE that the Council Tax for 2018/19 (excluding special expenses and Parish precepts) be set at £212.42 for a Band D property being an increase of £6.12 for a Band D taxpayer compared to 2017/18.

Officer Comments

- 115. The investment in property has enabled the Council to maintain services and a balanced Budget for 2018/19. However the financial forecast has identified further challenges in future years driven by Council funding being taken by Government, inflation and the capital programme.
- 116. The Council will need to grow and maximise its income streams, be this by further investment in property or raising charges, if service cuts are to be avoided in the future.
- 117. This includes an increase in Council Tax of just under 3% this year, the maximum permitted. Even at 3% the Surrey Heath increase is likely to be significantly less than both the County and the Police increases. Of all the income streams the Council has Council Tax is the least volatile and therefore is the only one that can provide a stable funding base for services.

GENERAL FUND REVENUE ACCOUNT

2017/18 SUMMARY BUDGET

	2017/18	2018/19	Variance
	Budget	Budget	
	£	£	
Business	1,644,978	988,940	-656,038
Community	5,106,533	4,528,940	-577,593
Corporate	1,501,660	1,674,200	172,540
Finance	1,807,400	1,501,060	-306,340
Legal and Property	-719,390	-18,390	701,000
Investment and development	-1,784,860	-1,840,490	-55,630
Regulatory	3,140,899	2,010,950	-1,129,949
Transformation	583,420	3,245,490	2,662,070
	<u>11,280,640</u>	<u>12,090,700</u>	<u>810,060</u>
Staff and Pension amendments	192,906	200,000	7,094
Add: Minimum Revenue Payment	1,389,000	1,353,000	-36,000
Internal asset charges reversed	-2,075,410	-2,294,700	-219,290
NET COST OF SERVICES	<u>10,787,136</u>	<u>11,349,000</u>	<u>561,864</u>
Less: External Interest earned	-300,000	-160,000	
Less: Internal Interest earned	0	-150,000	
Add: Contribution to Parishes	19,943	19,943	
BUDGET REQUIREMENT	<u>10,507,079</u>	<u>11,058,943</u>	
Less: Collection Fund Surplus	-238,258	-379,500	
Less: Business Rates baseline	-1,464,663	-1,508,666	
Less: Additional Business Rates	-200,000	-200,000	
Less: New Homes Bonus	-1,226,266	-863,886	
Less: Other Grants in settlement	-84,448	0	
Add: Tfr to Reserves	1,226,266	863,886	
Less: Funding from Reserves	-645,000	-816,390	
Add: Parish Precepts	557,575	569,890	
COUNCIL TAX REQUIREMENT	<u>8,432,285</u>	<u>8,724,277</u>	
Less: Special Expenses	-176,000	-180,000	
Less: Parish Precepts	-557,575	-569,890	
OWN COUNCIL TAX REQUIREMENT	<u>7,698,710</u>	<u>7,974,387</u>	
<i>Band D equivalent Properties</i>	37,318.03	37,540.62	
<i>Base Council Tax per Band D property</i>	£206.30	£212.42	2.97%

ANNEX B

REVENUE FUND PROJECTION 2018/19 to 2022/23

2018/19 £000		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Budget	Portfolio				
989	Business	989	989	989	989
4,528	Community	4,348	4,348	4,348	4,348
1,674	Corporate	1,674	1,674	1,674	1,674
1,501	Finance	1,501	1,501	1,501	1,501
-1,840	Investment and development	-1,840	-1,840	-1,840	-1,840
-18	Legal and Property	-18	-18	-18	-18
2,010	Regulatory	2,010	2,010	2,010	2,010
3,246	Transformation	3,246	3,246	3,246	3,246
12,090		11,910	11,910	11,910	11,910
	Other items				
(2,295)	Internal Asset charges	-2,295	-2,295	-2,295	-2,295
200	Staff and Pensions amendments	250	300	350	350
20	Contribution to Parishes	20	20	20	20
-310	Investment income	-310	-310	-310	-310
1,353	MRP funding	1,725	1,742	1,750	1,750
864	Tfr to reserves				
(816)	Reserves funding	-636	-636	-636	-636
0	Non recurrent costs	35			
11,106		10,699	10,731	10,789	10,789
	Base budget changes				
	Wages Inflation	200	404	612	824
	contract Inflation	135	272	411	552
	Fees and charges inflation	-130	-263	-398	-536
	Rental growth	-40	-80	-121	-162
	Interest for capital program	70	38	5	-27
	SCC Grant reduction	200	400	600	800
0	Total	435	771	1109	1451
11,106	Total Budget to be funded	11,134	11,502	11,898	12,240
	Financed By				
1,509	Business Rates	1,400	700	700	700
200	Business Rates Pooling				
7,973	Council Tax	8,295	8,629	8,977	9,339
864	New Homes bonus	500	500	450	400
380	Collection Fund Surplus	200	200	200	200
180	Special Expenses	180	180	180	180
11,106	Total Finance	10,575	10,209	10,507	10,819
0	Funding Gap/Savings	559	1,293	1,391	1,422

ANNEX B

CAPITAL EXPENDITURE FORECAST 2018 TO 2023

	Estimated 2018/19 £'000	Estimated 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000
Disabled Facilities Grants	630	630	630	630	630
Lightwater CP	55				
Refuse trucks	3,200				
Camberley high street	2,500	1,600			
Theatre improvements	137				
IT	22				
community Bus	40	40			
Property acquisition	2,000				
GRAND TOTAL OF ALL SCHEMES	8,584	2,270	630	630	630
CAPITAL RECEIPTS RESERVE B/F	0	0	0	0	0
Add: Funding from Loans	5,434	920	-20	-20	-20
Add: Government Grant	3,130	1,330	630	630	630
Add: Capital Receipts	20	20	20	20	20
Less: Capital Expenditure	(8,584)	(2,270)	(630)	(630)	(630)
CAPITAL RECEIPTS RESERVE C/F	0	0	0	0	0
Borrowing b/f	120,000	124,081	123,501	121,881	120,261
Less Funding Required for Capital	5,434	920	-20	-20	-20
Less MRP	-1,353	(1,500)	(1,600)	(1,600)	(1,600)
Borrowing c/f	124,081	123,501	121,881	120,261	118,641

ANNEX B

**GENERAL FUND CAPITAL AND REVENUE BALANCES ESTIMATED 2017 TO 2022
WITH £5 COUNCIL TAX INCREASE**

Estimated Balance 31-Mar-18 £000	Capital Reserves	Estimated Balance 31-Mar-19 £'000	Estimated Balance 31-Mar-20 £000	Estimated Balance 31-Mar-21 £000	Estimated Balance 31-Mar-22 £000	Estimated Balance 31-Mar-23 £000
0	Capital Receipts	0	0	0	0	0
0	Sub Total Capital Reserves	0	0	0	0	0
	Earmarked Revenue Reserves					
13	Atrium Public Art	11	10	10	9	8
1,051	Affordable housing	600	400	200	200	200
276	Atrium s106	50	0	0	0	0
85	Blackwater Valley & Developer Conts	70	50	30	0	0
6	Gum Machine	4	2	0	0	0
5	Chobham Partnership	5	0	0	0	0
544	CIL	100	200	200	200	200
550	Commutated Sums	441	332	223	114	5
178	Community Fund	128	78	28	0	0
82	Crime and Disorder Partnership	82	60	0	0	0
15	Custom build	15	0	0	0	0
308	Deepcut Commuted Sums	280	250	230	200	180
67	Frimley 3G	90	112	25	50	75
27	Heathside Muga	0	0	0	0	0
203	Insurance	180	160	140	120	100
675	Interest	1,500	1,500	1,500	0	0
384	Land Drainage	330	280	230	180	150
80	new burdens	60	30	0	0	0
10	Old Dean Toddlers Playground	11	12	12	11	9
119	One public estate	50	0	0	0	0
87	Personalisation	50	0	0	0	0
216	Sec 106	70	50	30	10	
635	Planning Tariffs	300	200	200	200	200
1,754	Repairs and Property Fund	1,500	1,300	1,000	800	600
150	Recycling Fund	0	0	0	0	0
0	Remediation Fund	0	0	0	0	0
500	Surrey Family Support	52	0	0	0	0
192	SANGS	1,182	250	1,000	1,500	2,000
8,212	Total Earmarked Revenue Reserves	7,161	5,276	5,058	3,594	3,727
	Other Revenue Reserves					
9,145	Capital Revenue Reserve	8,295	8,045	7,795	7,545	7,295
2,200	General Fund Working Balance	2,200	1,676	383	-1,008	-2,430
11,345	Total Other Revenue Reserves	10,495	9,721	8,178	6,537	4,865
19,557	TOTAL RESERVES	17,656	14,997	13,236	10,131	8,592

GENERAL FUND REVENUE RESERVE							
CALCULATION OF THE MINIMUM REQUIREMENT							
				Calculation Basis		Total	TOTAL
				Base	%		
				£000			£000
Provision for cash flow on expenditure Items							
Based on gross General Fund Expenditure				19,500	3%		488
Provision for shortfall in major income budgets							
Arena				202	3%	6	
Building control Fees				327	3%	10	
Car Park Income				2,254	5%	113	
Community alarms				245	3%	7	
Community Transport				197	3%	6	
Development Control				580	3%	17	
Housing				120	3%	4	
Investment Income				160	5%	8	
Licensing				156	3%	5	
Local Land charges				230	3%	7	
Meals on Wheels				164	3%	5	
Older peoples centres				141	3%	4	
Parks				320	5%	16	
Property Rents				7,580	5%	379	
Theatre				1,075	5%	54	
Waste and recycling				729	3%	22	
				14,480		662	662
Other Contingencies							
- Major Incident or business recovery							50
Cost of major enquiry							50
- Interest paid changes by 0.5%							600
- Shortfall on Business Rates							100
TOTAL RESERVE REQUIRED							£1,950