

General Fund Estimates 2019/20

Summary

To consider and recommend to Council the General Fund Revenue Estimates for the Financial Year 2019/20.

PORTFOLIO - Finance

Date Signed Off: 11 February 2019

WARDS AFFECTED

All

Recommendation

The Executive is advised to RECOMMEND to Council that the 2019/20 General Fund Revenue Budget of £13,158,597 as set out in Annex A to this report, be approved;

The Executive is asked to CONSIDER whether it wishes to make a recommendation to Full Council in respect of the level of Council Tax to be set for 2019/20.

The Executive is asked to NOTE

1. That expenditure totalling £2,042,116 will be charged directly to reserves;
2. That a minimum revenue provision of £2,014,000 is required to repay debt;
3. That the budget includes provision for a staff pay increase;
4. The provisional NNDR baseline of £1,543,240 and the final settlement on will be reported to Council at its meeting on 27th February 2019;
5. That a full report, setting out Council Tax proposals for 2019/20 will be presented to Council on 27th February 2019.
6. The Financial Strategy and its implications for financial sustainability

1. Resource Implications

2019/20 Budget

- 1.1 There is a legal requirement that the Council can only approve a balanced budget. A balanced budget means that expenditure must equal income. If the budget is not balanced then the Council cannot approve it and therefore Council tax cannot be set and revenue collected.
- 1.2 The Government announced in the settlement that councils will not need to hold a referendum if the increase is more than the higher of 2.99% or £5. This budget has been prepared on the assumption that the maximum Council Tax increase within these limits will be approved.

- 1.3 **Only Full Council can determine the level of Council Tax set however Executive can make a recommendation.**
- 1.4 The Net Cost of Services for 2019/20 as presented has increased compared to last year. Inflation has impacted payroll and contract costs and there have been additional costs to fund the pension deficit. Property income has fallen due to the need to allow for loss of rent from the SQ although this has been offset in part by rent from new investments. Despite this the Council is still able to have a balanced budget due to higher income from Council Tax and retained Business Rates and the use of reserves, however this will become more challenging in future years. More information is included later in this report.
- 1.5 The summary budget is included at the end of Annex A and a more detailed set of individual budget for services – the budget book – has been published on the website and is also available in the Member’s room.
- 1.6 2019/20 marks the final year of the 4 year finance settlement announced in 2015. Although a “negative grant” was expected for 2019/20 based on the 2015 announcement this was removed by Government, following intensive lobbying, in the announcement made on the 13th December 2018 and confirmed on the 29th January 2019. This means that although Surrey Heath will again receive no grant at least it will not have to pay money over to the Government.
- 1.7 The Government made changes to the New Homes Bonus (NHB) in 2017/18 where the first 0.4% increase in the tax base (about 150 houses for Surrey Heath) would not attract NHB. In addition payments were paid for 4 years rather than 6. These changes have resulted in NHB being a reduced incentive for housing delivery. Thankfully no further changes have been proposed for 2019/20. It is worth noting that NHB is not new money but rather paid for by top slicing business rates. However even with a reduced NHB new housing is still vital to drive economic growth and increase the tax base.
- 1.8 Costs of £2,042,116 in the budget have been charged to reserves. It is expected that the General fund will be at least £2m at the end of 2019/20 if the budget is delivered as shown.

Future Resource Implications

- 1.9 There are a number of changes to Local Government Finance expected in the coming year. The Government has published a consultation paper it proposals for changes to Business rates and “Fair funding”. This will be implemented in the new funding settlement for 2020/21 onwards. Unfortunately from the information provided it is not possible to determine the impact of the changes on Surrey Heath or on Local Government in general. It will be interesting to see whether the funding review results in additional resources for local government or just a change in how these are shared out. It is likely that District Councils will not feature highly in demands for additional cash compared to other areas such as social care and so their funding will at best stay level or more likely continue to reduce.
- 1.10 In addition to the funding changes the Government is keen to roll out its 75% localisation of business rates across the country in 2020/21. This will see Councils being able to keep 75% of any gains, but also being liable for 75% of any losses over a pre-set baseline. In addition to this the whole business rates system is likely to be rebased meaning that existing gains and losses will be shared out nationally. Clearly where the new baseline is set will have a major impact as to whether an individual

Council is able to make any gains/losses in the following years. If it is set too high then whatever the Council does to stimulate growth it is unlikely to benefit, if it is set too low then this may benefit successful areas disproportionately. The setting of the baseline will be closely linked to the outcome of the Fair Funding review. As if these changes were not enough there is also talk of a revaluation of business rates in 2020 which would impact what businesses pay and therefore what is collected. Considering all these things together it is extremely difficult to predict with any certainty what the Council's funding will be beyond this coming year. It is perfectly possible to foresee a situation after these changes where eventually the Council actually keeps no business rates at all.

- 1.11 There are also likely to be changes to other grants such as the New Homes Bonus, Homelessness, Housing benefit, Admin grants etc. but what these will be, other than a reduction, is difficult to predict.
- 1.12 The Council is required to prepare a Medium term Financial Forecast so as to demonstrate that it can achieve a balanced budget in the future or that it understands the challenges in delivering one. This forecast, together with the Financial Strategy, has been included as Annex B in this report. The preparation of the forecast this year has been particularly challenging given there is no information on funding beyond 2019/20.
- 1.13 The strategy includes a number of assumptions and these are set out in the paper. The key ones being:
- An estimate as to what future funding will be;
 - No reduction in services offered
 - Only capital expenditure, and the revenue costs resulting, is included if approved by members.
 - The redevelopment of the London Road Block and the Arena Leisure centre have been assumed to be revenue neutral i.e. they will generate sufficient income to cover costs. If this is not the case then this may add or reduce financial and cash flow pressures going forward.
- 1.14 The financial strategy indicates that there will be an ongoing financial gap as follows:

Forecast Resources and Expenditure

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Resources	11,191	10,790	10,903	11,031
Expenditure	-12,365	-12,723	-12,911	-13,102
Net position	-1,173	-1,933	-2,008	-2,071

- 1.15 The Council has over the years made significant internal efficiency savings and sought to reduce the cost of services through collaboration with other bodies. Rather than cut services the Council has pursued a strategy of increasing income, mainly through investment, and this has been successful in meeting these challenges so far. However the impact of further reduction in funding, inflation and funding capital investment has meant that there is a projected funding gap going forward. Hence the strategy of investment will need to continue to ensure that the Council has sufficient resources to maintain services. Furthermore the Council will only be able to borrow

money if it has a means to repay it since there is likely to be very little surplus resource within the existing budget. That said the ultimate solution may well be closer collaboration across Surrey if not a full reorganisation of local government as the current arrangements may not be financially sustainable in the longer term. This outcome may be precipitated anyway by a financial issues at Surrey County Council.

2. Key Issues

- 2.1 The level of budget set and the allocation of resources can impact all the Council's services. This report:
- Sets out recommendations for the budget and Council tax for 2019/20
 - Gives details of expected funding including Business Rates and grants for 2019/20
 - Includes a financial forecast and strategy showing the financial challenges the Council faces in the future.
- 2.2 The 2019/20 budget has been built up from individual service budgets that are shown in detail in the budget book. Where possible inflationary pressures have been absorbed and an allowance of £250k has been made for pay increases this year.
- 2.3 Government funding in the form of business rates and New Homes Bonus has been based on the provisional settlement announced on the 13th December 2018. This is subject to confirmation in February 2019.
- 2.4 Last year Surrey Heath was part of a Surrey based Business Rates pilot. This was expected to generate £500k which would have gone to Government. The actual amount will be known when the current financial year ends and so is not reflected in this budget. An application was made to join a new pilot for 2019/20, albeit on not such advantageous terms, however this was unsuccessful however the Council will be part of a Surrey Pool. This is not expected to be as good as a pilot but should realise some returns. Although the Council collects £40m from local businesses only 4% comes to the borough to pay for services. That said Business Rates income has increased well above the original base and so some of this increase has been used to support the budget for this year.
- 2.5 Surrey Heath has invested money in property over the last 3 years which is contributing £1.245m, after borrowing costs and loan repayments, to support Council services. Although this income stream is not without risk it is vital if services are to be maintained in the face of Government funding cuts.
- 2.6 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 £36k 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.
- 2.7 The Council maintains a number of earmarked reserves and provisions. All reserves and provisions are considered appropriate and supportive of future expenditure requirements. Revenue Reserves (including earmarked reserves) are projected to be around £25m at 31st March 2019. These reserves are not only needed for future committed expenditure, such as SANGS, but also to manage the significant financial

risks around commercial property and interest rates. Included within this budget is expenditure totalling £2m which has been charged to reserves.

- 2.8 The General Fund reserve, which is the Council's contingency fund, needs to be sufficient to deal with any unexpected expenditure. Provided Council Tax is increased as predicted and the budget delivered then the General Fund should be at least £2.0m at the 31st March 2020.
- 2.9 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.
- 2.10 The financial strategy, included as Annex B, sets out the predicted financial challenges that the Council faces and sets out ways that these can be addressed. It is the responsibility of the Sec 151 Officer to ensure that the budget remains balanced and therefore the financial strategy is an important document in flagging up potential future issues.

3. **Next steps**

- 3.1 The following information is required before the 2019/20 Council Tax can be proposed:
- 3.2 The Funding Settlement announced on December 13th is still provisional. It is anticipated that the final settlement will be announced in Parliament towards the end of January. At this point the referendum limit will also be confirmed
- 3.3 The County Council, Police and Crime Commissioner and Parishes need to determine their precepts for the year
- 3.4 All this information should be available in time for the Council Tax setting meeting in February
- 3.5 The revenue estimates or budget is a fundamental cornerstone of the resourcing of Council services and the delivery of the corporate plan. Members are asked to pay particular attention to:
 - The impact of reduction in Government funding and how this has been addressed
 - Costs financed from reserves
 - The use of property income to fund services
 - The underlying assumptions in the budget
 - The financial forecast and its implications in respect of the need for further savings/income if financial stability is to be achieved and the underlying assumptions in its preparation

4. **Options**

- 4.1 The Executive is asked to consider and recommend to Council the 2019/20 Revenue Estimates as set out in this paper. Members may amend or reject any part of the budget but are reminded that there is a legal responsibility to set a balanced budget and so any changes could impact on this.

5. **Officer Comments**

- 5.1 The investment in property coupled with growth in business rates and use of reserves has enabled the Council to maintain services and a balanced budget for 2019/20. However the financial forecast has identified further challenges in future years driven by Council reductions in Government and other funding coupled with the impact of inflation and the cost of borrowings. This leads to a budget gap of almost £2.2m by 2023/24. Although the Council has adequate reserves at the moment to manage this it only provide breathing space and so action must still be taken.
- 5.2 The Council will need to continue 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. It will also need to seriously consider greater collaboration with other Councils so as to reduce costs as well as looking at ways to manage demand.
- 5.3 This budget includes an increase in Council Tax of 2.99% this year, the maximum permitted. Even at 2.99% the Surrey Heath increase will be significantly less than both the County and the Police increases. Of all the income streams the Council has Council Tax is least volatile and therefore is the only one that can provide a stable funding base for services.
- 5.4 Any change relating to 2019/20 budget recommended by Executive will be adjusted for in the budget presented to Full Council on the 27th February 2019. As it is a legal requirement to present a balanced budget any reduction in income, say from a reduction in the increase in Council Tax, will have to be met by equivalent savings elsewhere in the budget.

6. **Proposals**

6.1 It is proposed that:

- (i) The Executive is advised to RECOMMEND to Council that the 2019/20 General Fund Revenue Budget of £13,157,835 as set out in Annex A be approved;
- (ii) The Executive is asked to CONSIDER whether it wishes to make a recommendation to Full Council in respect of the level of Council Tax to be set for 2019/20.
- (iii) The Executive is asked to NOTE
 - 1. That expenditure totalling £2,042,116 will be charged directly to reserves;
 - 2. That a minimum revenue provision of £2,014,000 is required to repay debt;
 - 3. That the budget includes provision for a staff pay increase;
 - 4. The provisional NNDR baseline of £1,543,240 and the final settlement on will be reported to Council at its meeting on 27th February 2019;
 - 5. That a full report, setting out Council Tax proposals for 2019/20 will be presented to Council on 27th February 2019.
 - 6. The Financial Strategy and its implications for financial sustainability

7. **Supporting Information**

7.1 This is all included in the report and the annexes. A separate booklet showing individual budgets by portfolio is available on the website and a copy has been placed in the member's room.

8. **Corporate Objective and Key Priorities**

8.1 The budget underpins all of the Corporate Objectives and Key Priorities.

9. **Legal Issues**

9.1 The process for setting the budget is outlined in the constitution. The Council does have a legal duty to set a budget and precept for Council Tax.

10. **Sustainability**

10.1 This budget is part of the process to make the Council financially sustainable.

11. **Risk Management**

11.1 There are a number of financial risks contained within the estimates. These are as follows:

National economy

11.2 The uncertainty over Brexit coupled with inflation could impact the delivery of the Council's budget. Each 1% increase in interest rates adds over £1m to borrowing costs and similarly a 10% cut in retail rental values would take £600k out of the Council's income. The performance of the retail sector and its impact on property values is a particular cause for concern as the Council has invested so heavily in this sector in order to regenerate the town centre.

11.3 Inflation has been absorbed or budgeted for as far as it has been possible to forecast it – however were costs to rise sharply suddenly this could also put strain on the budget. It should also be remembered that these factors may also impact our residents and businesses and therefore impact their ability to pay Council Tax and Business Rates and hence our revenue.

Salaries

11.4 The salary budget has assumed a budgeted pay rise of 2.5%, which has been agreed with staff, in order to bring the Council in to line with other Surrey districts. The budget also assumes a 4% vacancy margin for staff turnover during the year.

Surrey County Council

11.5 The Council still receives grants from Surrey CC to support its community services, family support and recycling. There is a risk that these grants may not be paid given the financial challenges county faces leaving the cost of these services to the Council. If, in the future, Surrey County Council was unable to deliver a balanced budget this could lead to a full reorganisation of local Government within Surrey.

Financial Strategy

11.6 There are a number of financial risks within the forecast which are explored in more detail in the document itself. These primarily are around assumptions in respect of

inflation, future funding, interest rates etc. Any change in these assumptions does have a major impact on the forecast going forward and the challenges it presents.

12. PR and Marketing

12.1 The financial standing of the Council is always a matter of interest to local residents and other stakeholders. It is important that the public is informed as to how little Business rates the borough receives compared to what it collects from local ratepayers.

13. Equalities

13.1 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.

13.2 Where significant service changes are likely to occur as part of proposals included in budgetary proposals, the Council is thus conducting 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.

13.3 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.

ANNEXES	A – 2019/20 Revenue Budget B – Financial Strategy
BACKGROUND PAPERS	Budget Book for 2019/20
AUTHOR/CONTACT DETAILS	Kelvin Menon – Executive Head of Finance Kelvin.menon@surreyheath.gov.uk
HEAD OF SERVICE	Kelvin.menon@surreyheath.gov.uk

General Fund Estimates 2019/20

1. The budget for 2019/20 has been prepared on virtually the same basis as last year. The only change in terms of presentation is that the vacancy margin now sits as a single budget at the Corporate level (within finance) rather than being included in each individual function. This year has been especially challenging due to increases in wages, pensions and contract costs together with losses of income in the form of grants and rents. In addition the burden of funding the capital investment plan continues to increase. The Council has invested in more property in 2018/19 and this additional income has been needed to offset some of these costs. Other pressures considered to be of a temporary nature have been funded from reserves.
2. The principles reasons for changes (excluding movements between services and carry forwards) are as follows:

Business - £18k growth

The services has made savings on its Grounds maintenance contract during the year but has had to use this to fund increases in costs as a result of the on street parking transferring to SCC and wages for staff.

Community - £551k growth

£425k of the total increase is due to an increase in asset charges (depreciation) of which £300k is due to the refuse vehicles alone. Under local authority accounting these are not charged to the budget however the £300k for the refuse vehicles does get charged as part of the "minimum revenue payment" (MRP) since they are funded by borrowing. The service has also lost £138k in payments from Surrey for recycling and community services. Contractor inflation on refuse and street cleaning alone amounted to £281k although some of this has been offset through savings on waste contract management and additional income of £176k. In addition there have been staff savings of £80k, offset by wage rises, together with contractor penalties of £80k.

Corporate - £222k growth

£107k of the increase is the estimated cost of the elections in May 2019 which is being funded from reserves. The remainder relates to increments, wage rises and the vacancy margin which is now being held corporately

Finance - £131k growth

£40k growth has been included within corporate management to deal with traveller incursions and the remainder is wages

Legal - £435k saving

The two properties purchased in the year, Vulcan way and Trade city contributed £460k but this is offset in part by wage increases. All other changes have been absorbed within the service

Investment and Development - £1.046 growth

The bulk of this, £1m, relates to the shortfall on rents which is being funded from the interest equalisation reserve. The remainder relates to wage growth.

Regulatory - £242k growth

Grants amounting to £71k relating to housing have been removed from the budget as it is anticipated these will not be available this year. £30k relates to an increase in asset charges for disabled grants and the remainder relates to salary increments, wages growth and the transfer of the vacancy margin to the corporate centre.

Transformation - £158k growth

£27k relates to asset charges for IT equipment. £34k has been saved from the closure of the council car scheme with the remainder being increases in staffing costs both in terms of increments, wages, new posts and vacancy margin now transferred

A budget book which includes a detailed for every function and service is published on the Council's website.

Funding from Business Rates

3. The Council, with all the Surrey Districts and the County, is currently in a 100% Business Rates pilot. This pilot allows Pilot members to keep 100% of any Business Rates increases above their predetermined baseline. Whilst the financial outcome of the pilot will not be known until the end of the financial year this could generate an additional £500k for the borough to be used for economic growth – this has not been reflected in the budget.
4. The Government has already announced that a new 75% localisation scheme would be introduced nationally from 2020/21 and so it was hoped that the 2018/19 pilot would be rolled over for another year. However the Government has instead invited Council's to apply for the new pilot and Surrey has made an application. Given that the number of pilots offered will be reduced in 2019/20 it is unlikely that Surrey will be successful. Surrey Heath will then revert to the 50% localisation scheme for that one year, and be part of a business rates pool (with a view to maximising some gains) with a smaller group of Surrey Districts.
5. Under the "standard" 50% scheme for every £1 collected above the baseline 50p goes to Government, 10p to Surrey CC, 20p for a safety net for less successful areas and 20p remains in Surrey Heath. In the 75% pilot 75% of all gains across the county over the baseline are pooled and shared out SCC:Districts on a 70:30 basis. Each member of the Surrey pilot has a guarantee that it will be no worse off in the pilot and a minimum share of gains, assuming there are any, of £500k. A "pool" on the other hand is identical to the 50% scheme except that the 20p safety net payment is retained by pool members for them to share out – they do however have to provide a safety net for each other.
6. What is important to remember is that whether the Council is in a 50%, 75% or 100% scheme this does not denote the % of TOTAL business rates retained in that area. The %ages only apply to *gains* over a pre-set baseline. The bulk of Business Rates collected in Surrey Heath, at least 96%, is redistributed to the County and around the country rather than remaining in the Borough.
7. The table below shows the level of business rates the Government expects Surrey Heath to collect and how this translates in to actual funding:

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

	2018/19	2019/20
	Final	Provisional
	£000	£000
Baseline - assumed minimum collected	33,420	34,798
Less: 50% to Government		-17,399
Less: 10% to SCC		-3,480
Less: 70% to SCC	23,394	
Share for SHBC	10,026	13,919
Less Fixed Tariff	-8,517	-12,376
Business Rates for SHBC	1,509	1,543
%age share	4.5%	4.4%
Safety Net	1,463	1,426

8. The table above reflects the figures released in the provisional settlement on the 13th December 2018 and does not include any impact of any growth in business rates over 2018/19. In the budget it has been assumed that the Council will use £950k of this growth in Business Rates above the historical baseline.
9. The Council has worked hard to grow the local economy and support businesses but the shortage of development land makes it challenging to actually build new business premises. This shortage, coupled with permitted development rights which permit the conversion of offices to housing without planning permission, has meant that the Council's business rates tax base has remained pretty static. In future the extension of PD rights to shops and potential other business premises could erode the Council's business rate base even further.

Local Government Settlement 2019/20

10. The settlement, which was announced on December 13th 2018 and confirmed on the 29th January 2019, meant that Surrey Heath would again receive no revenue support grant and that the negative grant of £933k anticipated for 2019/20 had in fact been withdrawn. It is worth stating that even without the negative tariff Surrey Heath has lost £2.7m in Government funding (Business Rates and central grant) since 2010/11.

New Homes Bonus (NHB)

11. 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. This proved to be so successful in delivering houses that over successive years the Government has watered down the incentive to save money. This has moved the scheme from one which paid a fixed reward for every additional house built for each of 6 years to one which only pays the incentive for 4 years and assumes that the first 0.4% increase in

house numbers (150 for Surrey Heath) would have been built anyway and therefore do not require a reward.

12. On the 13th December 2018 the Government announced that Surrey Heath can expect to receive £521,613 in New Homes Bonus for 2019/20. Of this only £10,360 relates to the last year 2018/19. This is because although 144 houses were actually delivered this was below the 0.4% (150 units) threshold so none actually qualified for New Homes Bonus. Due to this threshold the payments the Council can expect in future years will be minimal.
13. NHB is not “new” money and instead comes out of redistributed local authority funds – mainly by top slicing business rates and the Government has assumed that it is there to support on-going services rather than to offset the impact of development. For this reason it has been included in the Governments calculation of “Core Spending Power” which lists the resources all Councils have to deliver services.

Council Tax

14. Council Tax will be set by the Full Council at its meeting on the 27th February 2019.
15. The Minister has confirmed that there will be a cap on council tax increases as follows:
 - Up to 3.00% - For those Councils with Adult Social Care responsibilities an additional 6% can be charged over 3 years but Surrey has already used their 6% over the last 2 years
 - £5 or up to 3% for Shire Districts – whichever is the higher
 - £24 for Police commissioners
 - No cap for Parishes and towns
16. Any Council which sets a precept above the capping limits will have to hold a local referendum on the proposed increase at its own expense.
17. The budget has been prepared on the assumption that Council Tax will be increased by the maximum allowed, however members can decide on any amount up to this level. Any resulting shortfall in income would need to be covered by savings within the budget.
18. The current Surrey Heath band D Council Tax is £212.42. Taking account of the increase proposed the new Band D tax will be £218.66.
19. Details of Parish, Surrey County Council and Surrey Police precepts will be included within the paper for Full Council. However indications are that Surrey CC will request the maximum increase allowed, just under 3%, and they have already levied the maximum social care precept. The Police and Crime Commissioner is also likely to go for the full £24 increase.

Tax Base, Parish Support and Collection Fund

20. The tax base has risen overall during the year due to the construction of new properties. This can be seen in the table below:

Council Tax Base

	2018/19	2019/20	Change
Bisley	1,587.78	1,640.07	52.29
Chobham	1,969.27	2,005.58	36.31
Frimley and Camberley	23,871.57	24,103.84	232.27
West End	2,020.58	2,189.73	169.15
Windlesham	8,091.42	8,115.20	23.78
Total	37,540.62	38,054.42	513.80

- The increase in the tax base, due mainly to the construction of new properties, alone will generate an additional £110k in income each year.
- 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). This grant will remain unchanged from that paid in 2018/19 despite the fact that it is no longer funded by Central Government. This may need to be reviewed in the coming year. This is shown in the table below:

Support for Parishes due to the LCTSS

Parish/Town	Support given in 2018/19 & 2019/20
Bisley	1,334.30
Chobham	2,962.87
Frimley and Camberley	8,116.98
West End	1,591.65
Windlesham	5,937.64
TOTAL	19,943.44

- Due to staff working hard to ensure that all money due to the Council for council tax is collected it is predicted that the collection fund will be in surplus at the end of 2018/19. The Sec 151 officer has therefore determined that a surplus of £1,000,000 can be declared for the year. Of this will £756,700 will be paid to Surrey County Council, £126,800 to the Police and the remaining £116,500 to the borough. This will be used to support the budget for 2019/20

Investment income and borrowing costs

- The 2019/20 budget includes an estimate of £140k for income from Treasury Investments (banks, deposits etc.). Within the budget services are charged with the full cost of borrowing, be that at the PWLB borrowed rate for long term loans or a notional rate of 2% for short term and internal borrowing. Given that some of the money "lent" was in fact surplus cash the Council held, and therefore could invest, an allowance of £150k has been included within the budget representing the lost interest "earned" by using internal rather than external borrowing.

25. The Council may make additional savings on its borrowing costs if it can achieve an interest rate lower than notional 2% on its borrowings – this is not reflected within the budget as it is held in a separate interest equalisation reserve.

Items funded from reserves

26. As in previous years £2,042,116 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 to support the work of organisational transformation, economic growth and town centre is being financed from the Capital Reserve as this will generate additional income/savings in the future. This may become an additional budget pressure going forward;
 - £116,332 for grounds maintenance from the SANGS reserve which has been created to maintain SANGS in perpetuity;
 - £26,650 for grounds maintenance and playgrounds from commuted sums reserves which are provided by developers for maintenance of these facilities;
 - £124,134 from the Family Support reserves;
 - £100,000 from general reserves to fund the Council elections in May 2019;
 - £1,000,000 from the interest equalisation reserve to fund the temporary shortfall in rents and;
 - £350,000 to fund the final year of pension deficit payments pending the actuarial review in 2019/20

Funding transferred to Reserves

27. As the New Homes Bonus is not required this year to support the budget it will be transferred to reserves.

Impact of Property Purchase in 2019/20

28. The Council has made substantial property investments over the last few years without which it would have been impossible to deliver a balanced budget. This is budgeted to contribute £1.245m to the 2019/20 budget after interest and loan repayments.
29. Although there are risks in property investment in that rentals and investment values can fall it is clear that without this investment being made services would have had to be cut as a result of funding reductions. The Council has adequate reserves to cover this risk in the short term to buy time so that further action can be taken.
30. Under the Prudential Regulations those Councils with borrowings must make an annual charge to revenue, called the minimum revenue payment (MRP), to ensure at the end of the life of the asset funded by debt the Council will have repaid, or will have the funds set aside to repay, any loans it has on that asset. Councils are prohibited

from relying on increases in asset values over time to repay debt. In the 2019/20 budget £2,014,000 has been charged to revenue in accordance with the Council's MRP policy for current and future debt repayment. This payment not only covers debts incurred for property purchase but also loans taken out to fund other assets such as refuse collection vehicles and capital improvements.

Overall Budget

The overall budget taking account of the items above is shown below

ANNEX A

GENERAL FUND REVENUE ACCOUNT

2019/20 SUMMARY BUDGET

	2018/19	2019/20	Variance
	Budget	Budget	
	£	£	
Business	943,324	961,515	18,191
Community	4,478,341	5,029,957	551,616
Corporate	1,629,680	1,851,855	222,175
Finance	1,837,587	1,969,280	131,693
Legal and Property	-45,220	-480,401	-435,181
Investment and development	-1,912,080	-852,389	1,059,691
Regulatory	1,897,265	2,139,019	241,754
Transformation	3,261,803	3,420,756	158,953
	<u>12,090,700</u>	<u>14,039,592</u>	<u>1,948,892</u>
Staff and Pension amendments	200,000		-200,000
Add: Minimum Revenue Payment	1,353,000	2,014,000	661,000
Internal asset charges reversed	-2,294,700	-2,625,700	-331,000
NET COST OF SERVICES	<u>11,349,000</u>	<u>13,427,892</u>	<u>2,078,892</u>
Less: External Interest earned	-160,000	-140,000	20,000
Less: Internal Interest earned	-150,000	-150,000	0
Add: Contribution to Parishes	19,943	19,943	0
BUDGET REQUIREMENT	<u>11,058,943</u>	<u>13,157,835</u>	<u>2,098,892</u>
Less: Collection Fund Surplus	-379,500	-116,500	263,000
Less: Business Rates baseline	-1,508,666	-1,543,240	-34,574
Less: Additional Business Rates	-200,000	-950,000	-750,000
Less: New Homes Bonus	-863,886	-521,613	342,273
Add: Tfr to Reserves	863,886	521,613	-342,273
Less: Funding from Reserves	-816,390	-2,042,116	-1,225,726
Add: Parish Precepts	569,890	587,834	17,944
COUNCIL TAX REQUIREMENT	<u>8,724,277</u>	<u>9,093,813</u>	<u>369,536</u>
Less: Special Expenses	-180,000	-185,000	-5,000
Less: Parish Precepts	-569,890	-587,834	-17,944
OWN COUNCIL TAX REQUIREMENT	<u>7,974,387</u>	<u>8,320,979</u>	<u>346,592</u>
<i>Band D equivalent Properties</i>	37,540.62	38,054.42	
<i>Base Council Tax per Band D property</i>	£212.42	£218.66	