

## **General Fund Estimates 2020/21**

### **Summary**

**To consider and recommend to Council the General Fund Revenue Estimates for the Financial Year 2020/21.**

### **Portfolio - Finance**

Date Consulted: 3 February 2020

<b>Wards Affected</b>	All
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### **Recommendation**

The Executive is advised to RECOMMEND to Council that the 2020/21 General Fund Revenue Budget of £14,176,572 as set out in Annex A 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 2020/21.

The Executive is asked to NOTE

1. That expenditure totalling £2,027,000 will be charged directly to reserves;
2. That a minimum revenue provision of £2,213,000 is required to repay debt;
3. That the budget includes provision for a 2% staff pay increase;
4. The provisional NNDR baseline of £1,568,384 and the final settlement on will be reported to Council at its meeting on 26th February 2020;
5. That a full report, setting out Council Tax proposals for 2019/20 will be presented to Council on 26th February 2020.

### **1. Resource Implications**

#### 2020/21 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 provisional settlement that councils will need to hold a referendum if the increase is more than the higher of 1.99% or £5. This budget has been prepared on the assumption that the maximum Council Tax increase (£5) 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 2020/21 as presented has increased by due to a number of reasons. Increased pensions costs and wage increases have added £650k to annual costs and there have been pressures on income in areas such as parking and property. However, this has been offset by an increase in income because of property purchased at the end of 2018/19 but not reflected in that budget. The additional cost of services has been funded by a combination of increased business rates and some new homes bonus. That said although there is no savings target for this year additional income and savings will be required to deal with budgetary pressures going forward.
- 1.5 The summary budget is included at the end of Annexe A and a more detailed set of individual budget for services – the budget book – has been published on the website and is available in the Member’s room.
- 1.6 2020/21 was to be the first year of a three-year settlement. However, in October 2019 the Government announced that it would defer the outcome of the Fair Funding Review and Business Rates changes and therefore only issue a 1-year settlement. This has meant that the reductions in funding expected – in particular the “negative grant” - has been put on hold for at least a year. Were this to be implemented in 2021/22 it could result in a significant reduction in funding from Business Rates for the Council.
- 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 (171 houses for Surrey Heath in 2019/20) would not attract NHB. In addition, payments were paid for 4 years rather than six. These changes have resulted in NHB being a reduced incentive for housing delivery. Although no changes were made in 2019/20 in October 2019 the then Government has announced that from 2020/21 it was their intention to only make a payment for one year rather than 4. This, coupled with the threshold, will mean that the Council is unlikely to get any further New Homes Bonus payments after the current legacy payments end.
- 1.8 Costs of £2,027,000 in the budget have been charged to reserves. It is expected that the General fund will be at least £2m at the end of 2020/21 if the budget is delivered as shown.

#### Future Resource Implications

- 1.9 There were a number of changes to Local Government Finance expected in the 2020/21 however, these have now been deferred. It was expected that the fair funding review together with changes to the localisation and rebasing of business rates would be introduced. Rebasing is where existing gains (and losses) from each area are shared across the country. Although exact details of how this would work are not available, the Council’s advisors LG futures have modelled how this may work and estimate the Council could lose up to £1.5m in 2021/22, mainly due to the loss of historical business rates gains. No

doubt during 2020/21 the current Government will outline its spending priorities and how these will impact on Local Government Funding. Given the pressures on social care and health, it is unlikely that Districts will feature highly in demands for additional cash and so their funding will at best stay level or more likely continue to reduce.

- 1.10 As well as changes to New Homes Bonus explained above there are likely to be changes to other grants such as Homelessness, Housing benefit, Admin grants etc. but what these will be is difficult to predict as no information is available.
- 1.11 The Council is required to prepare a Medium Term Financial Forecast 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, will be presented to Council as part of the Council budget setting report in February 2020. The preparation of the forecast this year is likely to be particularly challenging given there is no information on funding beyond 2020/21.
- 1.12 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. Going forward if services are to be maintained the strategy of investing will need to continue. This however is being made more difficult due to the limited property available and the increased borrowing costs imposed by Government. In addition, whilst neither the Government nor CIPFA have prohibited property investment as a way of increasing income they have certainly sought to make it more difficult for Councils to invest in this way. Hence, the Council will therefore need to consider carefully during the coming financial year as to whether it ignores Government Guidance in order to address more demanding local funding issues as evidenced by the Medium Term Financial Strategy. In the end, the ultimate solution is likely to be closer collaboration across Surrey if not indeed a full reorganisation of local government as the current arrangements are not financially sustainable in the longer term. For the moment, however the Council has adequate reserves to manage these uncertainties.

## 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 2020/21
  - Gives details of expected funding including Business Rates and grants for 2020/21 subject to confirmation
  - Includes a financial forecast and strategy showing the financial challenges the Council faces in the future.

- 2.2 The 2020/21 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 £200k has been made for pay increases this year representing a 2% increase for all staff and a further £200k for pensions.
- 2.3 Government funding in the form of business rates and New Homes Bonus has been based on the provisional settlement announced on the 20<sup>th</sup> December 2019. This is subject to confirmation in February 2020.
- 2.4 Although the Council applied to be part of a Business Rates pilot for 2020/21 this was unsuccessful. Although some Surrey Districts are in a pool for 2020/21 due to Surrey Heath's falling Business Rates base it was not advantageous for it to join. However, historical pooling and pilot gains have been utilised in this budget.
- 2.5 Surrey Heath has invested money in property over the last 4 years, which is contributing £3.372m, after borrowing costs but before 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 The Council only has limited capital receipts and so needs 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 from the overall revenue budget. For every £1m borrowed about £39k 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 £33m at 31st March 2020. 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. They can also be used to balance the budget until new income streams or savings are available. Included within this budget is expenditure totalling £1.5m, 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 2021.
- 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 Annexe 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 2020/21 Council Tax can be proposed:
  - a) The Funding Settlement announced on December 13<sup>th</sup> 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
  - b) The County Council, Police and Crime Commissioner and Parishes need to determine their precepts for the year
- 3.2 All this information should be available in time for the Council Tax setting meeting in February
- 3.3 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 2020/21 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 affect this.

### **5. Officer Comments**

- 5.1 The investment in property coupled with growth in business rates, New Homes Bonus and use of reserves has enabled the Council to maintain services and present a balanced budget for 2020/21. However, future changes in funding, such as the fair funding review, are likely to lead to a reduction in resources from Government and an increasing budget gap going forward. Whilst the Council has adequate reserves to manage this pressure in the short-term action will need to be taken to address this be it further property investment, closer working with other Councils or reductions to services.

- 5.2 This budget includes a recommended increase in Council Tax of £5 this year, the maximum permitted. Even at £5 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.
- 5.3 Any change relating to 2020/21 budget recommended by Executive will be adjusted for in the budget presented to Full Council on the 26th February 2020. 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 2020/21 General Fund Revenue Budget of £14,176,572 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 2020/21.
  - (iii) The Executive is asked to NOTE
    1. That expenditure totalling £2,027,000 will be charged directly to reserves;
    2. That a minimum revenue provision of £2,213,000 is required to repay debt;
    3. That the budget includes provision for a 2% staff pay increase;
    4. The provisional NNDR baseline of £1,568,387 and the final settlement on will be reported to Council at its meeting on 26th February 2020;
    5. That a full report, setting out Council Tax proposals for 2019/20 will be presented to Council on 26th February 2020.

## 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 affect 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 could take about £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. That said the economic consensus is that low interest rates will be in place for a while
- 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 affect our residents and businesses and therefore affect 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 2.0%, which has been agreed with staff, in order to bring the Council in 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. These have been reduced over the past few years but are still quite sizeable. The County is also keen to transfer services with funding to the Council as it seeks to downsize. However, there is a risk that this funding will be reduced and withdrawn in the future thereby leaving the Council with a funding gap if the service is to be maintained.

### Savings Target

- 11.6 The Budget as presented does not include an in year savings target. However new income streams and efficiencies will be required in the future to address

the financial challenges the Council will be facing. This is explored more fully in the Financial Strategy, which is being presented to Full Council later this month.

#### *Financial Strategy*

- 11.7 There are a number of longer-term financial risks, which are explored within the financial strategy, which will be presented to Full Council in February 2020. 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.

#### *Rental Income*

- 11.8 The Council is dependent on rental income to maintain its services. Rents, in particular those in the retail sector, are under increasing pressure from CVAs etc. The business plan for the SQ is being finalised by the Council's advisors at the moment and so the budget assumes that the income will remain static in the coming year. However early indications are that this may not be the case and hence if the income were to fall this would be a budget pressure arising during the year which would need to be covered by other income, savings or reserves.

### **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 be 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.

<b>ANNEXES</b>	<b>A – General Fund Estimates</b> <b>B – Budget summary</b>
<b>BACKGROUND PAPERS</b>	<b>Budget Book for 2020/21</b>
<b>AUTHOR/CONTACT DETAILS</b>	<b>Kelvin Menon – Executive Head of Finance</b> <a href="mailto:Kelvin.menon@surreyheath.gov.uk"><u>Kelvin.menon@surreyheath.gov.uk</u></a>
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**General Fund Estimates 2020/21**

1. The budget for 2020/21 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 - £206k growth**

3. The service has suffered from reductions in income from parking due to reductions in footfall across the town.

**Community - £142k saving**

4. Growth in the service has been offset by an anticipated increase in garden waste charges to be implemented over the year.

**Corporate - £80k saving**

5. Most of the saving is due to a budget reduction in elections which are not required in 2020/21.

**Finance - £121k saving**

6. This relates to a reduction in salaries costs coupled with a recharge for staff time to Joint Waste and a change in the vacancy margin

**Legal and Property - £418k saving**

7. Income from a new property, Theta, has been offset in part by void periods at Albany Park, which have been charged to the budget rather than reserves. In addition the removal of Ashwood House from rating, due to its current condition, has resulted in a £233k saving. However, there has been growth of £606k to reflect the expected vacant period following the ending of a tenancy at Albany Park and of this £500k has been charged to the equalisation fund in reserves.

**Investment and Development – £64k increase**

8. No change has been made for the SQ as the new business plan has not been finalised as yet. However early indications are that there may be fall in income for the centre due to wider economic factors and this could result in a budget pressure during the year. The loss from House of Fraser is being charged to reserves and there has been a small rise in interest costs.

#### Regulatory - £393k growth

9. £370k of the increase is due to additional depreciation being charged on Disabled Facilities Grants (due to a larger grant allocation\_ which is reversed out before the budget requirement anyway. However, there have also been increased in wages costs as well as growth in Family Support, which was agreed by members earlier in the year.

#### Transformation - £366k growth

10. £40k relates to an increase in grant funding to community groups and the rest for increases in wages costs, ICT licences and depreciation

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

#### Funding from Business Rates

11. The Council receives a proportion of money collected from local businesses. In 2020/21, the "standard" 50% scheme applies which means that 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.
12. It was anticipated that 2020/21 would mark the first year of a new 75% scheme with rates being rebased to reflect the fair funding review –however, this has been deferred to 2021/22. It is likely that if it is implemented in 2021/22 this could result in a significant loss of funding to the Council. The implications of this have been explored in the Medium Term Financial Strategy, which is appended, to the budget setting report for Full Council later this month.
13. 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 percentage 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.
14. 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 2020/21**

		2018/19	2019/20	2020/21
	Final	Final	Provisional	
	£000	£000	£000	
Baseline - assumed minimum collected	33,420	34,798	35,365	
Less: 50% to Government		-17,399	-17,683	
Less: 10% to SCC		-3,480	-3,537	
Less: 70% to SCC	23,394			
Share for SHBC	10,026	13,919	14,146	
Less Fixed Tariff	-8,517	-12,376	-12,578	
Business Rates for SHBC	1,509	1,543	1,568	
%age share	4.5%	4.4%	4.4%	
Safety Net	1,463	1,426	1,451	

15. The table above reflects the figures released in the provisional settlement and does not include any impact of any growth in business rates over 2020/21. LG futures have estimated that in reality Surrey Heath will receive £2.8m in total and so an additional £1.1m has been included within the budget for this year. However, this growth may be lost in future years if the business rates system is reset.
16. 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 that permit the conversion of offices to housing without planning permission, has meant that the Council's business rates tax base has remained 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 2020/21

17. The provisional settlement announced on December 20<sup>th</sup> 2019 confirmed that again Surrey Heath would receive no revenue support grant. It is worth noting that Surrey Heath has lost £2.7m in Government funding (Business Rates and central grant) since 2010/11 and that this has been made up by income from Property and efficiencies in order to avoid having to make cuts

#### New Homes Bonus (NHB)

18. 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 (171 for Surrey Heath) would have been built anyway and therefore do not require a reward.

19. For 2020/21, it is anticipated that Surrey Heath will receive £909,995 in New Homes Bonus. As this is not new money but assumed by Government to be used to support services £500,000 of this is being used this year to manage increases in expenditure with the remainder being put in to reserves. Future payments are likely to decrease sharply, thereby increasing budget pressures, as the Government has signalled that in future it will only pay the incentive for 1 year rather than 4.

#### Council Tax

20. Council Tax will be set by the Full Council at its meeting on the 26th February 2020.
21. The Minister has confirmed that there will be a cap on Council tax increases. The tax increase must be less than 2% or £5 whichever is the higher in order to escape capping.
22. 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.
23. The budget has been prepared on the assumption that Council Tax will be increased by the maximum £5 allowed, however members can decide on any amount up to this level. Any resulting shortfall in income would need to be covered by savings or income in year within the budget.
24. The current Surrey Heath band D Council Tax is £218.66. Taking account of the increase proposed the new Band D tax will be £223.66.
25. Details of Parish, Surrey County Council and Surrey Police precepts will be included within the paper for Full Council. However, Surrey CC has agreed to increase their Council Tax by the maximum 3.99% allowed (equivalent to £57.96 for a Band D taxpayer) and the Police are likely to go for the maximum £10 increase.

#### Tax Base, Parish Support and Collection Fund

26. 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**

	<b>2019/20</b>	<b>2020/21</b>	<b>Change</b>
Bisley	1,640.07	1,676.50	36.43
Chobham	2,005.58	2,058.83	53.25
Frimley and Camberley	24,103.84	24,283.22	179.38
West End	2,189.73	2,313.69	123.96
Windlesham	8,115.20	8,193.62	78.42
<b>Total</b>	<b>38,054.42</b>	<b>38,525.86</b>	<b>471.44</b>

27. The increase in the tax base, due mainly to the construction of new properties, alone will generate an additional £106k in income each year.
28. 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 previous years despite the fact that Central Government no longer funds it. This may need to be reviewed in the coming year. This is shown in the table below:

#### **Support for Parishes due to the LCTSS**

<b>Parish/Town</b>	<b>Support given in 2019/20 &amp; 2020/21</b>
Bisley	1,334.30
Chobham	2,962.87
Frimley and Camberley	8,116.98
West End	1,591.65
Windlesham	5,937.64
<b>TOTAL</b>	<b>19,943.44</b>

29. 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 2019/20. The Sec 151 officer has therefore determined that a surplus of £1,500,000 can be declared for the year. Of this £1,128,000 will be paid to Surrey County Council, £202,500 to the Police and the remaining £169,500 to the borough. This will be used to support the budget for 2020/21

#### Investment income and borrowing costs

30. The 2020/21 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.

31. 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

32. As in previous years £2,027,000 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;
  - £1,500,000 from the interest equalisation reserve to fund the temporary shortfall in rents and;
  - £202,000 for the Arena during its construction

#### Funding transferred to Reserves

33. As not all the New Homes Bonus is required to support the budget, £400,000 will be transferred to reserves.

#### Impact of Property Purchase in 2020/21

34. 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 £3.2m to the 2020/21 budget after interest but before loan repayments.
35. 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 because 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.
36. 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 2020/21 budget, £2,213,000 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 in annex B below

**ANNEX B**

**GENERAL FUND REVENUE ACCOUNT**

**2020/21 SUMMARY BUDGET**

	2019/20	2020/21	Variance
	Budget	Budget	
	£	£	
Business	961,515	1,167,225	205,710
Community	5,029,957	4,887,728	-142,229
Corporate	1,851,855	1,771,732	-80,123
Finance	1,969,280	1,880,424	-88,856
Legal and Property	-480,401	-899,225	-418,824
Investment and development	-852,389	-788,200	64,189
Regulatory	2,139,019	2,532,972	393,953
Transformation	3,420,756	3,786,843	366,087
	14,039,592	14,339,499	299,907
Add: Minimum Revenue Payment	2,014,000	2,213,000	199,000
Internal asset charges reversed	-2,625,700	-2,105,870	519,830
<b>NET COST OF SERVICES</b>	13,427,892	14,446,629	1,018,737
Less: External Interest earned	-140,000	-140,000	0
Less: Internal Interest earned	-150,000	-150,000	0
Add: Contribution to Parishes	19,943	19,943	0
<b>BUDGET REQUIREMENT</b>	13,157,835	14,176,572	1,018,737
Less: Collection Fund Surplus	-116,500	-169,500	-53,000
Less: Business Rates baseline	-1,543,240	-1,568,384	-25,144
Less: Additional Business Rates	-950,000	-1,100,000	-150,000
Less: New Homes Bonus	-521,613	-909,995	-388,382
Add: Tfr to Reserves	521,613	400,000	-121,613
Less: Funding from Reserves	-2,042,116	-2,027,000	15,116
Add: Parish Precepts	587,834	0	-587,834
<b>COUNCIL TAX REQUIREMENT</b>	<b>9,093,813</b>	<b>8,801,693</b>	<b>-292,120</b>
Less: Special Expenses	-185,000	-185,000	0
Less: Parish Precepts	-587,834	0	587,834
<b>OWN COUNCIL TAX REQUIREMENT</b>	<b>8,320,979</b>	<b>8,616,693</b>	<b>295,714</b>
<i>Band D equivalent Properties</i>			
<i>Base Council Tax per Band D property</i>	<i>£218.66</i>	<i>£223.66</i>	