

Annex A: Notes

1. General Fund Estimates 2021/22

1.1 The budget for 2021/22 has been prepared on virtually the same basis as last year. This year has been especially challenging due to the pandemic and associated downturn in the economy leading to losses of income in the form of fees, charges and rents. The Council has acquired significant commercial property holdings since 2016 and anticipated additional income from this source has been severely impacted during 2020/21.

1.2 The total Net Movement between the base budget for 2020/21 and 2021/22 is a reduction of £270k.

Agreed Net Budget 2020/21	£14,339,578
Savings in draft 2021/22 Budget	-£2,647,615
Growth in draft 2021/22 Budget	£2,377,662
Draft Net Budget 2021/22	£14,069,625

1.3 The principles reasons for changes (excluding movements between services and carry forwards) are set out below:

[NB: Only key factors are discussed below, so the items listed do not sum back to the Net Movement shown for each Service; please refer to the Draft Budget Book 2021/22 for a detailed breakdown of all movements for the full reconciliation.]

1.4 Business – Net Movement: £487k

Depreciation at Frimley Lodge Park (£62k); Reduction in Car Park Income because of pandemic and economic downturn (£366k); Theatre additional costs and lost income (£172k), offset by reductions in running costs of £101k across Venues & Operations.

1.5 Community – Net Movement £138k

Contractual increases for Neighbourhood Services (£77k); Community Services (£60k).

1.6 Corporate – Net Movement £10k

Increased costs for Elections (£5k) and for Electoral Registration (£5k).

1.7 Finance – Net Movement -£83k

Mainly due to a net reduction in salaries in Corporate Management.

1.8 Legal & Property – Net Movement -£914k

Mainly due to increased rental income from commercial property holdings: Corporate Land Management (£12k); St. George's Industrial Estate (£31k); Ashwood House (£6k); London Road (£24k); Albany Park (£319k); Trade City (£26k); Vulcan Estate

(£102k); Theta (£229k), as well as savings in management and service charges (£134k) and NNDR revaluations (£112k).

Note, however, that the draft budget proposes the re-purposing of £800k of the Council's reserves to meet any further deterioration of commercial rents due to the pandemic and associated economic downturn.

1.9 Investment & Development – Net Movement -£182k

Reductions in expenditure on salaries (£119k) and consultants (£60k).

1.10 Regulatory – Net Movement £160k

Increases in salaries budgets: Development Control (£25k); Planning Enforcement (£58k); Homelessness (£36k); Housing Support (£33k); Housing Inspection (£40k); Supporting People (£70k – net of grant income); Other Projects (£71k); Local Plan (£6k).

Climate Change: Consultants, Supplies and Professional Services (£45k).

Offset by adjustment to depreciation charges for Disabled Facilities Grant (-£220k).

1.11 Transformation – Net Movement £114k

Increase in salaries budgets: Economic Development (£56k); Human Resources (£53k); Fraud & Investigation (£49k), offset by reduction in ICT salaries (-£9k).

Adjustment to depreciation charges for ICT equipment (-£44k).

Increase in contribution to Fraud Fund (£6k).

2. Core Spending Power

2.1 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement.

2.2 For Surrey Heath Borough Council, the assumptions are as follows:

	Actual 2020/21 £000	Provisional 2021/22 £000
Settlement Funding Assessment	1,568	1,568
Compensation for under-indexing the Business Rate Multiplier	63	82
Estimated Council Tax excluding Parish Precepts	8,802	9,092
New Homes Bonus	910	461
Lower Tier Services Grant	Nil	140
TOTAL	11,343	11,343

2.3 It can be seen that there has been no increase in the Council's CSP between 2020/21 and 2021/22.

3. Funding from Business Rates

3.1 The Council receives a proportion of money collected from local businesses. In 2021/22, 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.

3.2 It was anticipated that 2021/22 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 for the time being. It is likely that when implemented it could result in a significant loss of funding to the Council. The implications of this will be explored in the Medium Term Financial Strategy, which will be presented to Full Council in October 2021.

4. Council Tax

4.1 The Council Tax levels for 2021/22 will be set by the Full Council at its meeting on the 24th February 2021

4.2 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.

4.3 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.

4.4 The budget has been prepared on the assumption that Council Tax will be increased by the maximum £5 allowed, however Council 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.

4.5 The current Surrey Heath Borough Council Band D Council Tax is £223.66. Taking account of the increase proposed the new Band D tax will be £228.66.

4.6 Details of Parish, Surrey County Council and Surrey Police precepts will be included within the paper for Full Council.

5. Tax Base, Parish Support and Collection Fund

5.1 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

	2020/21	2021/22	Change
Bisley	1,676.50	1,650.60	-25.90
Chobham	2,058.83	2,062.08	3.25
Frimley & Camberley	24,283.22	24,569.93	286.71
West End	2,313.69	2,393.17	79.48
Windlesham	8,193.62	8,134.78	-58.84
TOTAL	38,525.86	38,810.56	284.70

5.2 The increase in the tax base, due mainly to the construction of new properties, will generate an additional £65k in income from Council Tax each year.

5.3 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 future years. This is shown in the table below:

Support for Parishes due to the LCTSS

Parish/Town	Support Given in 2020/21 and 2021/22 £
Bisley	1,334.30
Chobham	2,962.87
Frimley & Camberley	8,116.98
West End	1,591.65
Windlesham	5,937.64
TOTAL	19,943.44

6. Budget Risks

6.1 The budget as drafted has had regard to the uncertainties caused by the current pandemic and associated economic downturn including:

- Increase in demand for Council services.
- The general financial risk to the Council of businesses failing in the Borough.
- Loss of rental income through businesses failing or moving out of commercial premises rented from the Council.
- Loss of other income and difficulty in collecting local taxes.

6.2 It has also made assumptions about pay awards; general inflation for goods & services; interest rates; Government funding; grants; and the use of reserves to fund day-to-day expenditure.

6.3 All these risks have been evaluated and mitigated as part of the budget planning exercise.

6.4 National economy

6.4.1 Inflation is forecast to remain low during 2021/22 but post-Brexit disruption and on-going supply issues caused by the pandemic could affect the delivery of the Council's budget in terms of increasing inflation and interest rates. For instance, a 1% increase in interest rates adds over £1m to borrowing costs and similarly a 10% cut in retail rental values would 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 a large property portfolio that is particularly heavy in this sector in order to regenerate the town centre. However, the economic

consensus is that low interest rates will be in place for a while, and certainly for the whole of financial year 2021/22.

6.4.2 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.

6.5 Salaries

6.5.1 The salary budget has assumed there will not be a pay rise in 2021/22. The budget also assumes a 4% vacancy margin for staff turnover during the year, although the savings target for the year anticipates that savings from staff turnover will be slightly less than the margin.

6.6 Surrey County Council

6.6.1 The Council receives grants from Surrey CC for community services, family support and recycling and there is a risk that this funding may be reduced or withdrawn in the future thereby leaving the Council with a funding gap if the service is to be maintained.

6.7 Savings Target

6.7.1 The Budget as presented includes an in-year savings target of £2,103k. It should be noted that this level of savings includes one-off items totalling £1,088k and is insufficient to achieve a balanced budget over the medium-term without further use of reserves. New income streams and efficiencies will be required in the future to address the financial challenges the Council will be facing. This will be explored more fully in the Financial Strategy which will be presented to Full Council in October 2021 alongside the Council's Five-Year Corporate Plan.

6.8 Rental Income

6.8.1 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 Council's property management strategy (including commercial acquisitions and disposals) is being reviewed at present, and the draft budget recommends that £800k be set aside for potential income shortfalls in 2021/22. Assets currently held in a Jersey Property Unit Trust are being 'on-shored' and the Council's internal arrangements for asset management are also under review.