



RUNNYMEDE
BOROUGH COUNCIL

CORPORATE MANAGEMENT COMMITTEE

3 FEBRUARY 2005

AGENDA ITEM 6

2005/06 BUDGET AND COUNCIL TAX

BUDGET REPORT

Report of the Director of Finance on the General Fund Estimates and Recommendations for the Borough's Basic Amount of Council Tax for 2005/06.

1. INTRODUCTION

1.1 The budget is not just the formal mechanism by which the Council fixes the Council Tax, but also the expression in financial terms of Council policy. The budget has been drawn up in the context of the following strategy documents approved by the Council:

- the Leader's Position Statement
- the Community Strategy
- the Council's Aims and Targets
- the Financial Forecast
- the Capital Programme
- the Housing Strategy and HRA Business Plan

1.2 In October 2004 the Council considered the **Financial Forecast** for the period from 2005/06 to 2009/10 and confirmed its commitment to the financial strategy it had adopted the previous year. It has the following key features:-

- i) a stepped increase in the Council Tax over the next five years.
- ii) achieving a further programme of savings totalling £1.5 million by 2006/07.
- iii) using working balances over the next four years to bridge the gap between the Council's net spending levels and the yield from taxation.

1.3 This report summarises the main changes that have taken place between the 2004/05 Original Estimate and the 2004/05 Probable Outturn and the 2005/06 Estimate. More detailed explanations are shown in the Budget Variations against each service budget. The report also compares the budget with the Council's financial strategy and considers the implications of the Government's grant settlement. Finally it sets out the effect of the budget decisions on the level of Council Tax.

1.4 The budget reductions required over the five years of the Financial Forecast represent a considerable challenge for the Council. The 2005/06 General Fund Estimate will require a withdrawal of working balances that is £754,000 greater than the amount that was planned in the Forecast. This is because of the increase in pension costs and the failure to achieve target reductions. This reduces flexibility in future years.

1.5 In short, the financial challenge facing the Council is that its expenditure is more than its income. In the short term the difference is being met from withdrawals from balances. In the long term, the Council has either to reduce net spending or to increase the Council Tax substantially. The Government's capping criteria restricts the latter option.

2. BUDGET PRESENTATION

2.1 The budget presentation reflects the service groupings of the Committee structure. Each service area is introduced by a brief report that outlines the salient features of the proposed budgets. It follows the format that has been used successfully in previous years.

2.2 Capital Charges

Where services benefit from the use of assets, the revenue expenditure includes a charge for the use of capital in line with standard accounting practices. There is a corresponding credit shown on the General Fund Summary (page 1). There is a rolling programme of valuations undertaken by the Valuer to the Council to keep the asset register up to date. Any change in the use of assets, a revised valuation or additional capital expenditure will affect the capital charge made to the revenue budget. A statement summarising the capital charges that appear throughout the budget is presented on page 4 of the Budget Book.

2.3 Prudential Code

The Council complies with the Prudential Code for controlling local government capital finance. The key objectives of the Code are to ensure that:

- Capital investment plans are affordable, prudent and sustainable.
- All external borrowings and other long term liabilities are within prudent and sustainable levels.
- Treasury management decisions are taken in accordance with good practice and in a manner that supports prudence, affordability and sustainability.
- The local authority is accountable for decisions made.
- It supports local strategic planning, local asset management planning and proper option appraisal.

5.3 The Council's current financial planning systems are sufficient to demonstrate the affordability of the capital programme and the 2005/06 Estimates have been prepared in the context of these strategic plans and controls. A separate report on the Prudential Code was submitted to the Corporate Management Committee on 3 February 2005.

3 PROBABLE ESTIMATES FOR 2004/05

3.1 The probable estimates for 2004/05 have generally been prepared on a similar basis to the original estimates to facilitate the comparison of budget heads.

3.2 The projected final position on the General Fund for the 2004/05 financial year is summarised in the following table:

Table 1 - Comparison of Original and Revised Estimates for 2004/05

| | Original Estimate | Projected Outturn | Variation |
|-------------------------------|------------------------------|------------------------------|------------------|
| | £ | £ | £ |
| Net Expenditure on Services | 14,333,900 | 14,388,900 | 55,000 |
| Asset Management | | | |
| - Reversal of capital charges | -3,378,300 | -3,034,800 | 343,500 |
| Transfers to Reserves | 334,000 | 234,000 | -100,000 |
| Investment Income | -1,000,000 | -1,300,000 | -300,000 |
| Net General Fund Expenditure | 10,289,600 | 10,288,100 | -1,500 |
| Reduction in working balance | -2,559,500 | -2,558,000 | 1,500 |
| Budget Requirement | 7,730,100 | 7,730,100 | - |

3.3 The main reasons for the changes in budgeted expenditure on services is shown in Table 2:

Table 2 – Summary of Budget Developments in 2004/05

| Developments | Amount £ |
|---|-----------------|
| <u>Increases:-</u> | |
| Planned underspendings brought forward from 2003/04 | 243,200 |
| On-street parking reimbursed by Surrey County Council | 212,800 |
| Reduction in Egham Leisure Centre surplus | 65,600 |
| Planning inquiry costs | 45,000 |
| Refuse & Street Cleansing vehicle costs | 48,100 |
| Other growth | 115,600 |
| Supplementary estimates | 112,200 |
| Other net changes | 36,500 |
| Total Cost Increases | 879,000 |
| <u>Reductions:-</u> | |
| Additional funding from grants or reimbursements | -299,800 |
| Savings and budget reductions | -152,900 |
| Changes in Capital Charges from the original estimate | -299,900 |
| Budgets carried forward to 2005/06 | -71,400 |
| Total Reductions, etc. | -824,000 |
| Increase in Net Expenditure on Services in 2004/05 | 55,000 |

3.4 The service estimates explain the changes for individual services in greater detail.

3.6 Investment income is expected to be £300,000 more than the original estimate. The average interest rates assumed in the original estimate were 4.5% for externally managed funds and 4% for in-house investments. Investment returns have been 0.5% greater and, combined with income from higher than expected capital balances, the probable outturn reflects the higher income received.

4. ESTIMATES 2005/06

4.1 The budget assumptions used in compiling the estimates are presented in the statement on page xxi of the Budget Book. A comparison of the estimated net expenditure on services in 2005/06 with the 2004/05 estimates is summarised in Table 3.

Table 3 - Original Estimates for 2004/05 compared to 2005/06 Estimates

| Service | Estimates 2004/05 £ | Estimates 2005/06 £ | Variation £ |
|------------------------------------|---------------------------|---------------------------|----------------|
| Housing Services | 953,100 | 980,500 | 27,400 |
| Community Services | 1,670,400 | 1,776,800 | 106,400 |
| Leisure Services | 2,916,300 | 3,047,700 | 131,400 |
| Environmental Services | 3,115,600 | 3,217,500 | 101,900 |
| Licensing & Regulatory | 105,500 | 92,200 | -13,300 |
| Planning Services | 1,292,500 | 1,351,000 | 58,500 |
| Highways Services | 907,700 | 886,800 | -20,900 |
| Economic Development | 139,500 | 185,200 | 45,700 |
| Corporate and Business Services | 3,443,800 | 3,795,900 | 352,100 |
| Capitalisation of Building Works | -210,500 | -281,400 | -70,900 |
| Net expenditure on services | 14,333,900 | 15,052,200 | 718,300 |

- 4.2 The net expenditure on services in 2005/06 is £15,052,200. This represents an increase of £718,300 (5%) from the 2004/05 original estimate -+ The service estimates explain the changes for individual services in detail. The main developments in the budget are analysed in Table 4.

Table 4 – Summary of Reasons for the change in Expenditure on Services in 2005/06 compared to the 2004/05 estimates.

| Developments | Amount £ |
|--|-------------------|
| Allowance for pay and price inflation | 364,000 |
| Growth - staff increases | 382,800 |
| - increased contribution to the Surrey Pension Fund | 566,000 |
| - costs of job evaluation | 106,800 |
| - Other growth items and cost increases | 265,900 |
| Reduction in Egham Sports Centre surplus | 100,000 |
| Budgets brought forward from 2004/05 | 71,400 |
| Total Cost Increases | 1,856,900 |
| Offset by:- | |
| Review of rents, fees and charges | -168,800 |
| New sources of income (recycling, licencing and on-street parking) | -273,700 |
| Budgetary reductions | -275,800 |
| Increases in Government grants (net) | -33,500 |
| Reduction in capital charges | -136,400 |
| Other net reductions | -250,400 |
| Total Savings, etc. | -1,138,600 |
| Net increase from 2004/05 Estimate to 2005/06 Estimate | 718,300 |

- 4.4 The overall position of the General Fund for the 2005/06 financial year is summarised in Table 5.

Table 5 - Overall General Fund position in 2005/06 compared with 2004/05

| Committee | Estimates 2004/05 £ | Estimates 2005/06 £ | Variation £ |
|--------------------------------------|---------------------------|---------------------------|----------------|
| Net expenditure on services | 14,333,900 | 15,052,200 | 718,300 |
| Asset Management | | | |
| - reversal of capital charges | -3,378,300 | -3,181,200 | 197,100 |
| - transfer to IT Replacement Reserve | 205,000 | 105,000 | -100,000 |
| - transfer to CCTV equipment Reserve | 129,000 | 129,000 | 0 |
| Investment Income | -1,000,000 | -1,100,000 | -100,000 |
| Net General Fund expenditure | 10,289,600 | 11,005,000 | 715,400 |
| Use of working balance | -2,559,500 | -2,540,600 | 18,900 |
| Budget Requirement | 7,730,100 | 8,464,400 | 734,300 |

- 4.5 Investment income on receipts and reserves in 2005/06 has been based on average returns of 5%. This is in line with the assumptions made when the Financial Forecast was considered in October 2004 and is consistent with the latest projections made by the Council's fund manager. The Council's Treasury Management Strategy explains the assumptions behind this estimate in more detail.

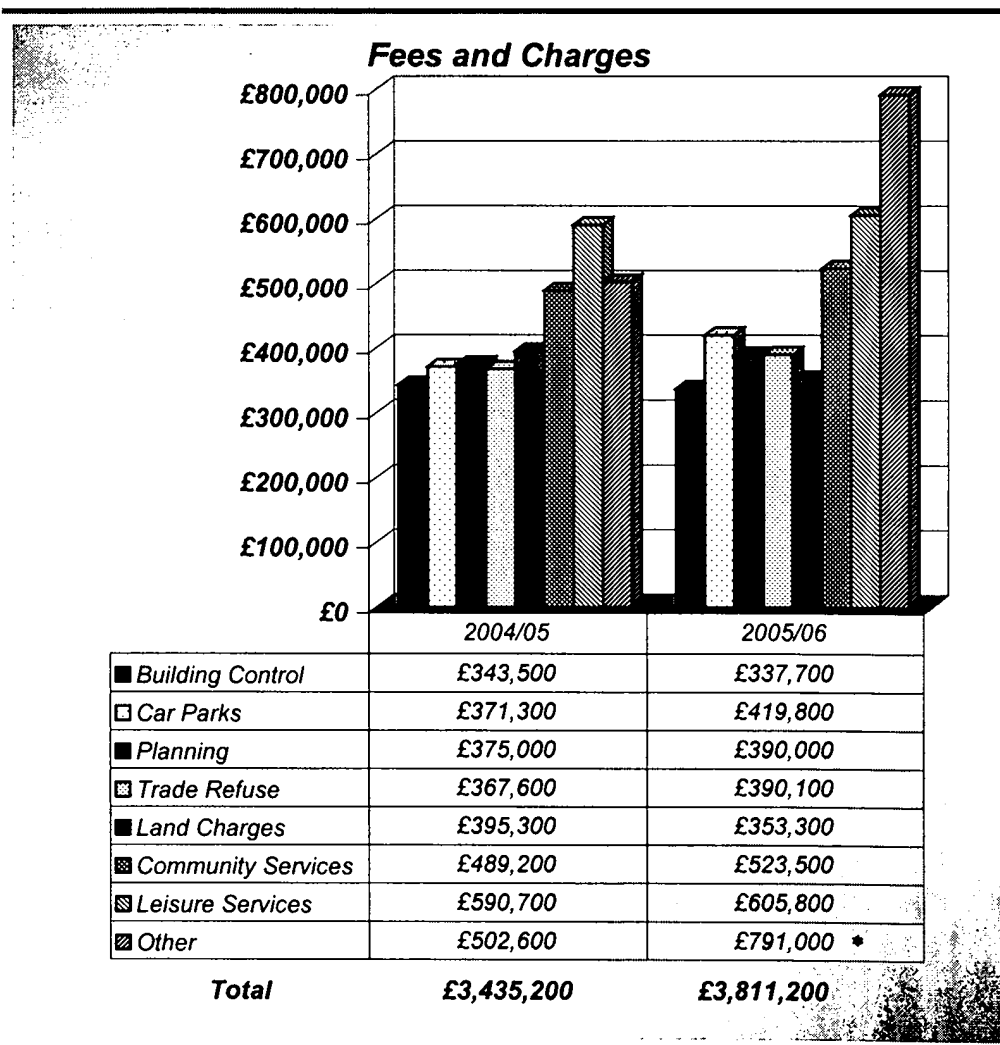
4.7 After deducting the use of working balances, there is a net budget requirement of £8,464,400. This compares with the Formula Spending Share for Runnymede, which is calculated by the Government to be £10,281,945 (see paragraph 10.2). This is the level at which Government funding of the Council is based.

5. FEES AND CHARGES

5.1 When the Council approved the Financial Forecast in October, it resolved that "each policy committee be requested to consider increasing the contribution that users make to the cost of services where it is lawful to do so when undertaking the next review of fees and charges".

5.2 Schedules of fees and charges for 2005/06 are set out on pages 315 to 348 of the Budget Book. The new charges will become effective from 1st April 2005 or as soon as possible thereafter as appropriate.

5.3 The additional income from the proposed charges is included in the estimates for 2005/06. This is expected to increase the total income from fees and charges to £3,811,200 (including changes in demand) and a comparison with the 2004/05 Original Estimate is analysed in the following diagram.

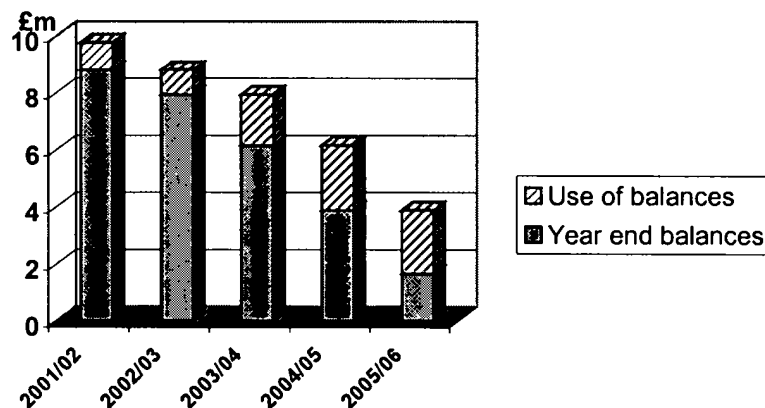


* N.B. "Other" includes new sources of income from On-Street Parking (£54,000), Recycling (£82,500), Licensing (£59,000) and Pollution Control (£45,800).

5.4 Fees and charges are an important means of maintaining the desired level of services at a time when funding from the Council Tax and Government Grant is under pressure.

6. GENERAL FUND STRATEGY FOR 2005/06 AND FINANCIAL FORECAST

- 6.1 This section of the report compares the 2005/06 Estimates with the Financial Forecast that was approved by the Council in October 2004 in order to report any significant variations from the Council's financial strategy.
- 6.2 The Financial Forecast provided for net General Fund expenditure of £14,096,000 in 2005/06 excluding the impact of inflation. Allowing for an increase in pay and prices of £350,000, offset by increases in discretionary income of £60,000, the overall net expenditure on services allowed for in the forecast was therefore £14,386,000.
- 6.3 The net expenditure on services in the budget amounts to £15,052,200. This is £666,200 more than the forecast figure of £14,386,000. The main reason for this is the impact of the actuarial valuation of the Surrey Pension Fund. This has increased General Fund expenditure by £566,000, which is £466,000 more than was assumed in the Financial Forecast (i.e. £100,000). Table 6 provides a full analysis of the changes in the 2005/06 estimates compared to the forecast approved in October.
- 6.4 The Financial Forecast included a provision for savings of £754,000 to be achieved in 2005/06. While budgetary reductions of £619,000 have been identified in the 2005/06 Budget, these have been more than offset by additional costs of £698,000 (the largest element of which are the additional pension costs of £466,000). This position is set out in Table 6.
- 6.5 The need to make savings in net expenditure is critical for the achievement of the Council's medium term financial strategy. The failure to produce a budget in line with the Financial Forecast means that the Council will have to withdraw from balances £754,000 more than it had planned if it wants to restrict the tax demand to its forecast level of £117.99 (i.e. an increase of 17½%). The scale of the withdrawal from balances in recent years is illustrated in the following chart.



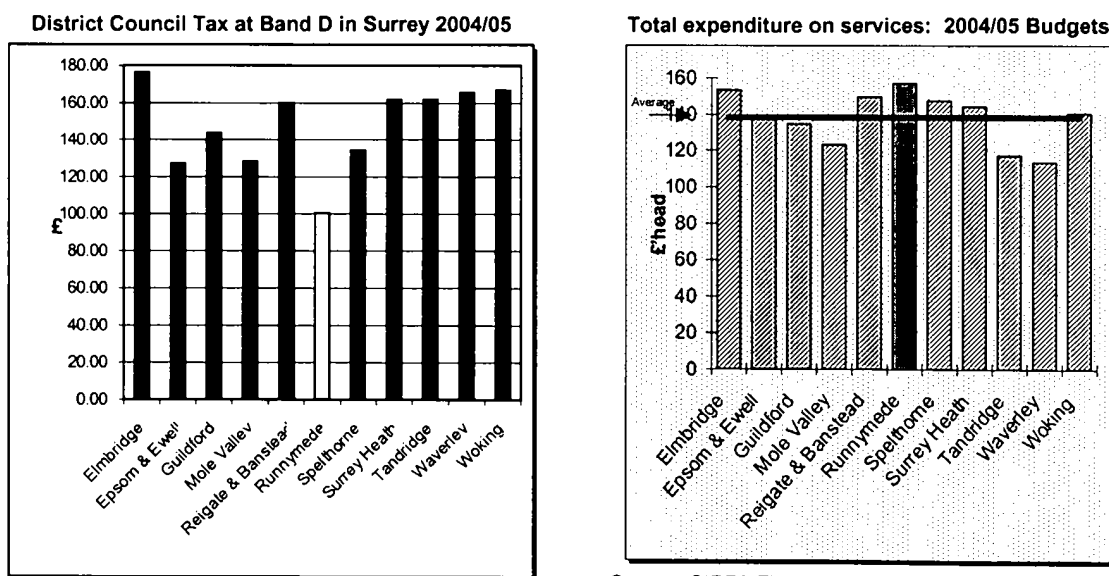
- 6.6 This will leave £1.6 million in General Fund working balances and contingency by 31 March 2006 (see also Table 7). Bearing in mind that it is Council policy to hold a minimum of £1 million in balances, the amount remaining at 31 March 2006 will be insufficient to support the Council's financial strategy in future years even if all the target savings are achieved thereafter. The strategy is only achievable by realising greater savings.
- 6.7 The Council has limited alternatives.

| | Option | Consequences |
|---|--|--|
| A | Achieve the planned level of net savings in 2005/06 and increase the target thereafter to offset additional costs. | a1) Large reductions in services. a2) Net expenditure, use of balances and tax levels will be consistent with the Financial Forecast. |

| | | |
|---|---|---|
| B | Accelerate tax increases by more than had been assumed in the Forecast. | b1) Increased risk of Council Tax capping. b2) Risk of adverse public reaction. b3) The 2005/06 savings target is equivalent to a Council Tax of £35. So a further tax increase that is less than £35 will still require savings. |
| C | Reduce the capital programme to increase investment income. | c1) Each £1 million saved will increase interest earnings by £50,000 so at best this can only be a partial solution. c2) Important policy areas like affordable housing will have to be cut. |

6.8 It must be stressed that the Council no longer has the financial flexibility it enjoyed in the past. Significant reductions must be made in the Council's net expenditure. The Council's financial strategy involves the use of balances over a 5 year transitional period while it reduces its net expenditure and increases its tax, but it can only do this if it rations the use of balances over this period. To put the use of working balances in perspective, it needs to be remembered that the proposed withdrawal of £2,540,600 from working balances in 2005/06 is equivalent to £78.06 on the Band D Council Tax. In other words, if the Council were not reducing its net expenditure by £2,540,600, the Council Tax would be £196.05 rather than £117.99.

6.9 For the purposes of comparison, the taxing and spending decisions across Surrey in 2004/05 are shown in the following charts.



Source: CIPFA Finance and General Statistics 2004/05

6.10 The financial projections made in the October 2004 Forecast have been re-evaluated in the light of the higher net expenditure in the 2005/06 Budget. The Forecast Summary shown on page xvi represents an updated position that has been rebased on the 2005/06 figures. It can be seen that in order to limit tax increases to the level shown in the October 2004 Forecast, it will be necessary to increase the target savings to £2 million (line 12 on page xvi). Failure to achieve this will mean that the Council will exhaust its available reserves.

Table 6: COMPARISON OF THE 2005/06 BUDGET WITH THE FINANCIAL FORECAST

| | £000's | Total £000's |
|---|--------------|-----------------|
| Approved October 2004 Forecast | | 14,386 |
| Adjustment for changes in capital charges charged to 2005/06 budgets | | (196) |
| Provision for savings in the Forecast not included in the Budget | | 754 |
| Additional costs not provided in the Forecast | | |
| • Concessionary Bus Fares | 5 | |
| • Egham Leisure Centre - Higher than anticipated deficit contribution required | 30 | |
| • Abbeyfit - Savings from revised operation - Scheme deferred | 40 | |
| • Increase in Surrey Youth Games budget | 2 | |
| • Anticipated increase in refuse disposal costs following increase in Landfill Tax | 10 | |
| • Lower than anticipated recycling credits | 14 | |
| • Lower than anticipated income from Planning Fees | 26 | |
| • Depot - Higher than anticipated impact of the Business Rates revaluation | 3 | |
| • Partnership Team Vehicle | 2 | |
| • Recruitment Expenses | 27 | |
| • Enhancement to the Cash Receipting System | 5 | |
| • Senior Personnel Assistant - increase in hours - Corp. Management 2/12/04 | 5 | |
| • Website Content Management - Corp. Management 30/9/04 | 18 | |
| • Teleform Upgrade - Corp. Management 30/9/04 | 6 | |
| • Local Land Charges - Search Fee income recalculated | 39 | |
| • Pension backfunding for previous years | 291 | |
| • Pension contributions increase for current employees | 175 | |
| Total additions to the net expenditure in the Forecast | 698 | 698 |
| New Savings (& Cost Reductions) | | |
| • Care & Repair income - increased base estimate | (5) | |
| • Housing Advice - funding for Resettlement Officer post | (8) | |
| • Benefits - Additional fraud detection subsidy | (10) | |
| • Benefits - Lower cost of Local Scheme rebates | (7) | |
| • Day Centres: Provision for business rates increases not required | (4) | |
| • Savings from market testing Community Meals services | (15) | |
| • Community Alarm: Extra income | (12) | |
| • Day Centre Transport charges | (2) | |
| • Community Transport: extra grant income | (7) | |
| • Savings resulting from the new Grounds maintenance Contract | (4) | |
| • Additional income from increased Cemetery fees and charges | (11) | |
| • Pest Control savings to be found as per the Financial Forecast | (5) | |
| • Reduction in the costs of collecting abandoned vehicles | (33) | |
| • Additional savings following future review of Public Conveniences | (12) | |
| • Reduction in waste disposal charge following an anticipated reduction in tonnage | (11) | |
| • Increase in trade refuse income over inflation | (12) | |
| • Net Local Plan Inquiry provision not needed until 2006/07 | (26) | |
| • Provision for Planning Appeals in 2005/06 reduced from Forecast level | (11) | |
| • Planning enforcement savings to be found as per the Financial Forecast | (25) | |
| • Use of Planning Delivery Grant to cover Strategic Environmental Assessments | (25) | |
| • Savings from the use of Planning Delivery Grant to lower Planning Fees | (26) | |
| • Inflation provision forgone for Environmental Maintenance | (3) | |
| • Transfer of Critical Ordinary Watercourses to the Environment Agency | (20) | |
| • Car Parks - Lower than anticipated impact of the Business Rates revaluation | (8) | |
| • Car Parks - net income from the new Addlestone Car Park | (3) | |
| • Car Parks - Increase in usage following the introduction of On-Street Car Parking | (19) | |
| • Depot - Increase in the number of yellow Buses parking at the Depot | (8) | |
| • Review Board budget provision reduced | (5) | |
| • Savings due to no Borough Election in 2005/06 | (45) | |
| • Reduced contribution to the Magna Carta Trust | (3) | |
| • Job Evaluation provision reduced | (182) | |
| • NDR - increase in Cost of Collection Allowance | (4) | |
| • GIS maintenance | (15) | |
| • Legal Services - reduced provision for fees | (5) | |
| • Other net variations | (28) | |
| Total reductions to the net expenditure in the Forecast | (619) | (619) |
| Budgets Carried Over from 2004/05 | | |
| • Provision for Planning Appeals brought forward from 2004/05 | | 29 |
| Estimated Net Expenditure on Services in 2005/06 | | 15,052 |

7. HOUSING REVENUE ACCOUNT

- 7.1 A report on the Housing Revenue Account estimates was presented to the Housing and Community Services Committee and this is reproduced at page 269. The HRA Business Plan shows that the Council will be able to meet the Government's decent homes standard before the target date of 2010.

8. RESERVES AND PROVISIONS

- 8.1 The Local Government Act 2003 requires a report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year. Under the Local Government Finance Act 1988, all balances held by the Council are at the direct disposal of the General Fund with the exception of the Housing Revenue Account balance, the Collection Fund and those funds held in trust.
- 8.2 A statement showing the forecast balances of all revenue reserves and capital receipts appears on page xvi. Table 7 shows in more detail the estimated changes in those reserves that relate to the General Fund for the period to 31 March 2006.

Table 7 - General Fund Revenue Reserves and Balances

| | Balance at 1.4.04 £000 | Movement in 2004/05 £000 | Balance at 31.3.05 £000 | Movement in 2005/06 £000 | Balance at 31.3.06 £000 |
|---------------------------------------|------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| <u>Unallocated balances</u> | | | | | |
| Working Balance and Contingency | 6,158 | -2,271 | 3,887 | -2,220 | 1,667 |
| <u>Earmarked Reserves</u> | | | | | |
| IT Renewals Reserve | 999 | -53 | 946 | -87 | 859 |
| Safer Runnymede Equipment Reserve | 82 | 0 | 82 | 0 | 82 |
| Car Park Machines Replacement Reserve | 87 | 12 | 99 | 12 | 111 |
| Museum Purchases Fund | 25 | 1 | 26 | 1 | 27 |
| Direct Service Organisation Balance | | | | | |
| - Depot based DSOs | 172 | -40 | 132 | | 132 |
| ESC Equipment Replacement Reserve | 37 | -10 | 27 | -10 | 17 |
| Community Transport Reserve | 25 | -25 | 0 | 0 | 0 |
| Maintenance of graves in perpetuity | 2 | 0 | 2 | 0 | 2 |
| Total | 7,587 | -2,386 | 5,201 | -2,304 | 2,897 |

Justification of balances

- 8.3 The General Fund balance comprises two elements: the **Working Balance** and an amount held as a **Contingency** against unforeseen events. A working balance is required so that the Council has sufficient funds available to meet its cash flow requirements. The forecast of revenue reserves (page xvii) shows the withdrawals from balances that will be needed to support the level of Council Tax over the next five years. The Council has decided that £1 million is the minimum recommended level of unallocated General Fund reserves that it needs to hold. It can be seen from the figures on page xvii that unallocated balances will be exhausted in 2006/07 unless steps are taken to make further reductions in net expenditure in line with the savings target shown at line 12 on page xvi..
- 8.4 The **IT Renewals Reserve** was established in 1994/95 to provide a source of funding for future IT replacements. The annual contribution to this reserve of £105,000 provides for future hardware and software replacements. This charge is included in the General Fund Summary Revenue Account (page 1). Capital expenditure funded from the reserve is expected to total £158,000 in 2004/05 and £192,000 in 2005/06. This will leave a balance of £859,000 at 31st March 2006.

- 8.5 The **Safer Runnymede Equipment Reserve** has a similar objective. This was established during 2000/01 with the intention of providing a source of funds when existing equipment needs replacing. An annual contribution from revenue of £129,000 has been provided for this purpose. The budget provides for matching expenditure totalling £129,000 to be financed from this source both in 2004/05 and 2005/06.
- 8.6 The purpose of the **Car Park Machines Replacement Reserve** is to spread the cost of replacing car park machines by making an annual contribution from the revenue account each year. The replacement of all the car park machines in 1998/99 was financed from this reserve. Following contributions from the Car Parks Budget in 2004/05 and 2005/06 (see page 180), the balance held in this reserve is expected to be £111,000 at 31st March 2006.
- 8.7 The **Museum Purchases Fund** was set up under Section 15 of the Public Libraries and Museums Act 1964 to finance the cost of major museum acquisitions. Interest is earned on the fund balance and applied to the fund. The reserve balance stood at £24,874 at 1st April 2004. After allowing for interest and contributions of £1,000 both in 2004/05 and 2005/06, the balance is expected to be £27,000 on 31st March 2006.
- 8.8 Accrued surpluses generated by the **Direct Service Organisations** amounted to £171,522 at 1st April 2004. The balance relates solely to the **Depot-based DSOs** and is expected to reduce to £132,000 at 31st March 2006.
- 8.9 Contributions have been made to the **Egham Sports Centre Equipment Replacement Reserve** from the DSO Trading Account in previous years in order to fund the periodic replacement of equipment in the Fitness Suite. The reserve was established at the commencement of the new sports centre contract in 1998. No contributions are expected to be made to this reserve in 2004/05 or 2005/06. However, a planned replacement of equipment will gradually reduce the balance over the next few years.
- 8.10 The **Community Transport Reserve** was set up in 1998/99 so that surpluses achieved in the early years of the community transport initiative can be held to offset the deficits that are anticipated as joint finance income drops out. Expenditure has exceeded income on this service since 2002/03, so withdrawals from this reserve will exhaust the available balance by the end of 2004/05.

9. THE COLLECTION FUND

- 9.1. All transactions associated with Council Tax are shown in the Collection Fund. The legislation requires a calculation to be made of the estimated surplus or deficit on the Collection Fund at 31st March 2005 in order to distribute these amounts in 2005/06.
- 9.2. Any surplus or deficit arising from Council Tax transactions is shared between Runnymede Borough Council, Surrey County Council and Surrey Police in proportion to their demands on the Collection Fund. It is estimated that there will be a deficit on the Council Tax Collection Fund at 31st March 2005 of £132,000. This is mainly the result of a reduction in the tax yield because of the increase in the number of exempt properties. This will be charged to each authority's budget in the 2005/06 financial year as follows:-

| | |
|---------------------------|-----------------|
| | £ |
| Surrey County Council | 103,263 |
| Surrey Police Authority | 17,075 |
| Runnymede Borough Council | 11,662 |
| Total | £132,000 |

10. **THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2005/06**

10.1 The methodology for distributing grant in 2005/06 is a continuation of the arrangements introduced in 2003/04.

10.2 The provisional settlement was reported to the Corporate Management Committee on 6 January, 2005. At the time of writing this report, the final settlement figures had not been announced and these will be reported verbally to the Committee. The main element is a calculation by the Government of a **Formula Spending Share (FSS)** for each Council. This is used as a basis for distributing financial support to local authorities in the form of **Grant** and **National Non-Domestic Rates**. Under the system for distributing Government grant, District Council services fall into one block called the Environmental Protection and Cultural Services (EPCS) block. The Council's **Formula Spending Share** is the sum of the EPCS calculation and a capital financing element. The main features of the system are summarised below.

Formula Spending Share (FSS)

10.3 Runnymede's provisional FSS for 2005/06 will be £10.282 million. The main components are:

- a **Basic Amount** of £74.02 per head of population.
- various **Additive Top-Ups** intended to reflect the particular geographic and social features of the area that will affect the delivery of services.
- an **Area Cost Adjustment** designed to reflect the higher cost of providing services in various parts of the country.
- a **Capital Financing** block that is meant to reflect the cost of financing capital expenditure and the interest earned from investments.

10.4 The provisional FSS for 2005/06 is £46,400 more than 2004/05. The main reasons for this increase are:-

| | £ |
|---|----------------|
| Higher allowances in the formula | 153,000 |
| Reduction in the population figure (78,887 to 78,238) | -70,200 |
| Reduced allowance for flood defence | -21,900 |
| Reduced allowance for capital financing and interest earnings | -14,500 |
| Increase in Formula Spending Share | <u>£46,400</u> |

10.5 The reduction in the formula allocation for flood defence is to reflect the transfer of responsibility for critical ordinary watercourses from Councils to the Department for Environment, Food & Rural Affairs (DEFRA).

Formula Grant

10.6 **Formula Grant** is the name for the cash that the Council will receive from the Government. The Council's entitlement to Formula Grant is based on its Formula Spending Share. It comprises two elements:-

- **Income from Business Rates**, based on an amount per head of population (for shire districts this amount is £28.88 per head), producing £2,259,800 for Runnymede.
- **Revenue Support Grant**, representing the Council's **Formula Spending Share** less the **Income from Business Rates** and the income it would derive by charging its share of the **Assumed National Council Tax**. The result of this calculation is subject to protection provided by the **Floors and Ceilings** arrangements. The Government has decided that the minimum increase in Formula Grant (i.e. the Floor) will be 2.5% for shire districts. Runnymede will benefit from this protection again in 2005/06, receiving £318,200 more than it would without protection.

10.7 Table 8 shows how the Council's cash entitlement in 2005/06 compares with 2004/05.

**Table 8: Formula Grant from the Government
in 2005/06 compared with 2004/05**

| | 2004/05 | 2005/06 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Income from NDR pool | 2,148,800 | 2,259,800 |
| Revenue Support Grant | | |
| - unadjusted entitlement | 2,128,800 | 2,057,900 |
| - uplift to the floor increase | 229,300 | 318,200 |
| Formula Grant | 4,506,900 | 4,635,900 |

10.8 The Formula Grant of £4,635,900 represents an increase of 2.8% on the 2004/05 figure. This is the floor increase of 2.5% plus an adjustment to reflect the fact that civil defence is now supported by formula grant rather than specific grants (plus £21,000) but less an adjustment for the change in responsibility for critical ordinary watercourses (less £5,000).

Assumed National Council Tax

10.9 As noted above, the calculation of Revenue Support Grant includes an allowance for the resources available to the Council from an assumed level of Council Tax. The Government has based the **Assumed National Council Tax** on a total of £1,099.51 at Band D in 2005/06. The amount included in this figure for shire districts like Runnymede is £181.53.

Comparison with the Council's Revenue Forecast

10.10 The Revenue Forecast approved by Council in October assumed that the Council would receive Formula Grant of £4.51 million in 2005/06 (i.e. no change from 2004/05). The provisional settlement provides for a payment of £4,635,900 in Formula Grant to Runnymede in 2005/06. The proposals therefore represent an increase of £125,900 on the position assumed in the Revenue Forecast.

11. THE BOROUGH'S BASIC AMOUNT OF COUNCIL TAX 2005/06

11.1 The calculation of the Council's basic amount of Council Tax is made by deducting from the Budget Requirement the external support that will be received from the Government, together with any surplus on the Collection Fund.

11.2 The result is divided by the Council Tax Base of 32,547 (the paper dealing with the calculation of this figure is reproduced on page xviii).

11.3 The calculation of the Council's basic amount of Council Tax (i.e. at Band D) is set out below.

| | |
|--|----------------|
| Budget Requirement | £ 8,464,400 |
| <u>Less</u> Formula Grant | - 4,635,900 |
| <u>Add</u> Collection Fund deficit | <u>11,700</u> |
| | 3,840,200 |
| <u>Divided by</u> Council Tax Base | ÷ 32,547 |
| Basic amount of Council Tax for the Borough | £117.99 |

11.4 The Basic Amount of Council Tax of £117.99 equates to the charge on properties in Band D. The effect on each of the valuation bands is as follows:-

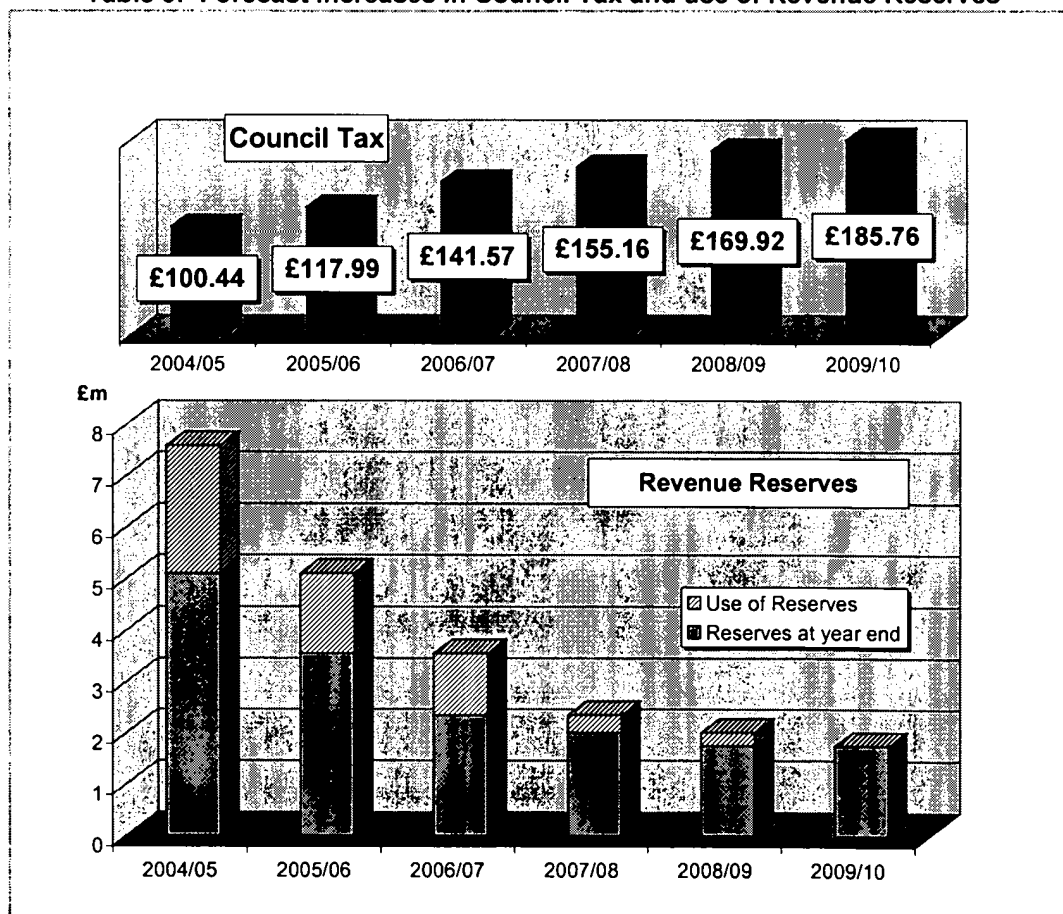
| Band | A | B | C | D | E | F | G | H |
|------------|--------|--------|---------|---------|---------|---------|---------|---------|
| Proportion | 6/9ths | 7/9ths | 8/9ths | 9/9ths | 11/9ths | 13/9ths | 15/9ths | 18/9ths |
| Amount | £78.66 | £91.77 | £104.88 | £117.99 | £144.21 | £170.43 | £196.65 | £235.98 |

11.5 The Council Tax decisions of Surrey County Council and the Surrey Police Authority will not be known until after the meeting of the Corporate Management Committee and will be reported to the meeting of Full Council on 15 February, 2005.

12. **CONCLUSION**

12.1 At the present level of taxation, the Council's forecast level of expenditure can only be supported by large withdrawals of balances. Accordingly, the Financial Forecast approved by the Council in October provides for stepped increases in the tax over the next five years. The following chart, taken from the Forecast, illustrates the position.

Table 9: Forecast increases in Council Tax and use of Revenue Reserves



13.3 The Council has not yet achieved the savings target set in the Financial Forecast so an additional £754,000 is being withdrawn from reserves to meet the shortfall. The need to meet the new savings target of £2 million is paramount if the Council Tax forecasts adopted as the Council's strategy are to be achieved.

13.4 The Local Government Act 2003 requires me to report on the robustness of the estimates made for the purposes of calculating the Council Tax. The key budgetary assumptions used in compiling the 2005/06 estimates are set out on pages xxi and xxii. I am satisfied that the detailed preparation of each service budget in the context of the Council's corporate strategies means that the Council is presented with robust estimates as a basis for making decisions about the level of Council Tax.

Stuart Cawthorne
Director of Finance
January 2005

**CORPORATE MANAGEMENT COMMITTEE 3 FEBRUARY 2005
AGENDA ITEM 6**

2005/06 BUDGET AND COUNCIL TAX RECOMMENDATION

OFFICERS' RECOMMENDATION that -

- i) the revised revenue estimates for the year 2004/05 and the revenue estimates for 2005/06 as submitted in the 2005/06 Budget, be approved;**
- ii) the following amounts be now calculated by the Council for the year 2005/06 in accordance with sections 32 to 36 of the Local Government Finance Act 1992:-**
 - (a) £51,141,700 being the aggregate of the amounts which the Council estimates for the items set out in section 32(2)(a) to (e) of the Act.**
 - (b) £42,677,300 being the aggregate of the amounts which the Council estimates for the items set out in section 32(3)(a) to (c) of the Act.**
 - (c) £8,464,400 being the amount by which the aggregate at ii)(a) above exceeds the aggregate at ii)(b) above, calculated by the Council, in accordance with section 32(4) of the Act, as its budget requirement for the year.**
 - (d) £4,624,200 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund calculated in accordance with section 33(1 and 3) of the Act.**
 - (e) £117.99 being the amount of ii)(c) above less the amount at ii)(d) above, all divided by the Council Tax Base of 32,547 calculated in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.**

**f) Runnymede Borough Council
Valuation Bands**

| A | B | C | D | E | F | G | H |
|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| £78.66 | £91.77 | £104.88 | £117.99 | £144.21 | £170.43 | £196.65 | £235.98 |

(being the amounts calculated by the Council in applying the figure set out at ii)(e) to the formula in section 36(1) of the Act) as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(TO RECOMMEND)

GENERAL FUND REVENUE ACCOUNT FORECAST SUMMARY INCLUDING NEW SAVINGS

| | ACTUAL 2003/04 | ORIGINAL 2004/05 | PROBABLE 2004/05 | BUDGET 2005/06 | FORECAST 2006/07 | FORECAST 2007/08 | FORECAST 2008/09 | FORECAST 2009/10 | NOTES |
|---|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| 1. Service Expenditure | | | | | | | | | |
| 2. Housing Services | 1,192 | 953 | 918 | 981 | 1,000 | 990 | 1,025 | 990 | |
| 3. Community Services | 1,622 | 1,671 | 1,714 | 1,777 | 1,782 | 1,782 | 1,782 | 1,782 | |
| 4. Leisure Services | 2,486 | 2,917 | 3,076 | 3,047 | 3,047 | 3,049 | 3,066 | 3,066 | |
| 5. Environmental Services | 2,958 | 3,115 | 3,120 | 3,217 | 3,249 | 3,244 | 3,239 | 3,234 | |
| 6. Licensing & Regulatory | 63 | 105 | 109 | 92 | 92 | 92 | 92 | 92 | |
| 7. Planning Services | 1,298 | 1,292 | 1,401 | 1,351 | 1,347 | 1,291 | 1,261 | 1,261 | |
| 8. Highways and Infrastructure | 882 | 908 | 900 | 887 | 887 | 887 | 887 | 887 | |
| 9. Economic and Development | 37 | 140 | 325 | 185 | 192 | 392 | 392 | 392 | |
| 10. Corporate & Business Services | 2,783 | 3,443 | 3,162 | 3,796 | 4,067 | 3,954 | 4,054 | 4,008 | |
| 11. Capitalisation of Building Works | -13 | -211 | -336 | -281 | -281 | -281 | -281 | -281 | |
| 12. Savings | | | | -2,000 | -2,000 | -2,000 | -2,000 | -2,000 | |
| 13. Net Expenditure on Services | 13,308 | 14,333 | 14,389 | 15,052 | 13,382 | 13,400 | 13,517 | 13,431 | |
| 14. Transfer from HRA | -118 | | | | | | | | |
| 15. Asset Management Revenue Account | | | | | | | | | |
| 16. - Transfer to Replacement Reserve | 334 | 334 | 234 | 234 | 234 | 234 | 234 | 234 | |
| 17. - Capital Charges | -3,001 | -3,378 | -3,035 | -3,181 | -3,181 | -3,181 | -3,181 | -3,181 | |
| 18. Investment Income | -870 | -1,000 | -1,300 | -1,100 | -800 | -700 | -600 | -600 | Interest calculated at 5% |
| 19. Inflation (3% pay, 2.5% prices) | | | | | 400 | 800 | 1,200 | 1,650 | |
| 20. Increase in discretionary income | | | | | -60 | -120 | -180 | -240 | |
| 21. Net General Fund Expenditure | 9,653 | 10,289 | 10,288 | 11,005 | 9,975 | 10,433 | 10,990 | 11,294 | |
| 22. Use of Working Balance | -2,057 | -2,559 | -2,558 | -2,541 | -692 | -553 | -469 | -90 | |
| 23. Budget Requirement | 7,596 | 7,730 | 7,730 | 8,464 | 9,283 | 9,880 | 10,521 | 11,204 | |
| 24. Formula Grant | -4,820 | -4,507 | -4,507 | -4,636 | -4,640 | -4,760 | -4,880 | -5,000 | Government grant and Non Domestic Rates |
| 25. Transfer to the Collection Fund | -1 | 24 | 24 | 12 | | | | | |
| 26. Net Demand | 2,775 | 3,247 | 3,247 | 3,840 | 4,643 | 5,120 | 5,641 | 6,204 | |
| 27. Council Tax | £85.50 | £100.44 | £100.44 | £117.99 | £141.57 | £155.16 | £169.92 | £185.76 | |

FORECAST REVENUE RESERVES AND CAPITAL RECEIPTS

| | General Fund Revenue Reserves | | Usable Capital Receipts | Balances Bearing Interest for General Fund | Housing Revenue Account | GRAND TOTAL |
|-----------------------------|-------------------------------|----------------------|-------------------------|--|-------------------------|-------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| | Marked Reserves | Unallocated Balances | Total | | | |
| 2004/05 | | | | | | |
| Brought Forward 1.4.2004 | 1,429 | 6,158 | 7,587 | 0 | 2,244 | 22,278 |
| Capital Receipts (received) | -287 | 287 | 0 | 5,681 | | 5,681 |
| Spent during the year | 172 | -2,558 | -2,386 | -9,537 | 90 | -9,537 |
| Other movements | 1,314 | 3,887 | 5,201 | -2,386 | 2,334 | -2,296 |
| | | | | 13,792 | | 16,126 |
| | | | | | | 0 |
| 2005/06 | | | | | | |
| Brought Forward 1.4.2005 | 1,314 | 3,887 | 5,201 | 13,792 | 2,334 | 16,126 |
| Capital Receipts (received) | -321 | 321 | 0 | 11,212 | | 11,212 |
| Spent during the year | 237 | -2,541 | -2,304 | -14,918 | | -14,918 |
| Other movements | 1,230 | 1,667 | 2,897 | -2,304 | 618 | -1,686 |
| | | | | 7,782 | 2,952 | 10,734 |
| | | | | | | 0 |
| 2006/07 | | | | | | |
| Brought Forward 1.4.2006 | 1,230 | 1,667 | 2,897 | 7,782 | 2,952 | 10,734 |
| Capital Receipts (received) | -367 | 367 | 0 | 6,858 | | 6,858 |
| Spent during the year | 234 | -692 | -458 | -7,852 | -1,000 | -7,852 |
| Other movements | 1,097 | 1,342 | 2,439 | -458 | 1,952 | -1,458 |
| | | | | 6,330 | | 8,282 |
| | | | | | | 0 |
| 2007/08 | | | | | | |
| Brought Forward 1.4.2007 | 1,097 | 1,342 | 2,439 | 6,330 | 1,952 | 8,282 |
| Capital Receipts (received) | -390 | 390 | 0 | 871 | | 871 |
| Spent during the year | 234 | -553 | -319 | -2,089 | -1,000 | -2,089 |
| Other movements | 941 | 1,179 | 2,120 | -319 | 952 | -1,319 |
| | | | | 4,793 | | 5,745 |
| | | | | | | 0 |
| 2008/09 | | | | | | |
| Brought Forward 1.4.2008 | 941 | 1,179 | 2,120 | 4,793 | 952 | 5,745 |
| Capital Receipts (received) | -210 | 210 | 0 | 869 | | 869 |
| Spent during the year | 234 | -469 | -235 | -1,811 | 0 | -1,811 |
| Other movements | 965 | 920 | 1,885 | -235 | 952 | -235 |
| | | | | 3,616 | | 4,568 |
| | | | | | | 0 |
| 2009/10 | | | | | | |
| Brought Forward 1.4.2008 | 965 | 920 | 1,885 | 3,616 | 952 | 4,568 |
| Capital Receipts (received) | -372 | 372 | 0 | 844 | | 844 |
| Spent during the year | 234 | -90 | 144 | -1,970 | 0 | -1,970 |
| Other movements | 827 | 1,202 | 2,029 | 144 | 952 | 144 |
| | | | | 2,634 | | 3,586 |

DETERMINATION OF THE COUNCIL'S TAX BASE FOR 2005/06

1. Introduction

- 1.1 This is an amended version of the report that was presented to the Corporate Management Committee on 2 December 2004. It has been revised to reflect the decision of the Committee to reduce discounts on long-term empty homes to zero.

2. Background

- 2.1 The Tax Base establishes the basis upon which precepting authorities calculate their demand on each Council Tax payer. When the Council approves its net budget requirement in February, the result will be divided by the Council Tax Base to determine the Council's tax demand.
- 2.2 Under section 84 of the Local Government Act 2003, a full Council meeting is no longer required to adopt the Council Tax base that is used when setting Council Taxes. The determination can now be delegated by the Authority in accordance with section 101 of the Local Government Act 1972.
- 2.3 Surrey County Council and the Surrey Police Authority undertake similar calculations, but in their case the Council Tax Base is the sum of the tax bases of all the Surrey Districts.

3. The Calculation

- 3.1 The Tax Base calculation is set out in full on the third page of this Appendix. It takes as its starting point the 32,373 dwellings that appear on the Listing Officer's valuation list as at 11th October 2004. These are aggregated by band.
- 3.2 This figure is adjusted to reflect the estimated changes to the list that will take place between now and the end of 2005/06. These are:-
- a) An estimate of the full year effect of new dwellings being added to the list. The estimate of 208 is based on an assessment of the developments currently taking place in the Borough averaged over the year.
 - b) The effect of disabled persons' reductions. Eligible persons will have their charge reduced by the amount of one band on their property. The estimate of 163 is based on the numbers currently in receipt of disabled persons' relief.
 - c) An estimate of the number of properties that will be demolished or removed from the list of dwellings.
 - d) There are 1,217 properties in the Borough subject to 100 per cent exemption. This category includes dwellings which are unfit, those whose only adult residents are students and six month exemptions on dwellings left empty by deceased persons or where they are undergoing structural repair.
- 3.3 The next stage in the calculation is to take account of the discounts and exemptions to which people will be entitled:-
- i) 9,789 dwellings have only a single adult resident. These people will have their bills discounted by 25% thereby reducing the tax base by 2,447.
 - ii) 45 dwellings attract a 50% discount because the adult residents are disregarded for Council Tax purposes. This reduces the tax base by 22.5.
 - iii) There are 291 dwellings that are classified as second homes. The Corporate Management Committee resolved to reduce the discount on these dwellings from 50% to the statutory minimum of 10% with effect from 1 April 2005 provided that the County Council and the Police Authority agreed that the additional tax raised would

be spent on affordable housing. No agreement on this issue was reached by the time the tax base had to be set and so, since it would not affect the budgetary decisions of each authority, this has not been included in the taxbase calculation. The impact on the taxbase is therefore to reduce it by 145.5 (50% of 291).

iv) The Council has exercised its discretion to grant no discount to long-term empty homes with effect from 1 April 2005. This means that the 396 dwellings in this category will be liable for 100% of the Council Tax.

iv) The remaining 20,820 dwellings are liable to pay 100% of the Council Tax.

3.4 The totals for each band are then multiplied by the proportions applicable to each band, namely:-

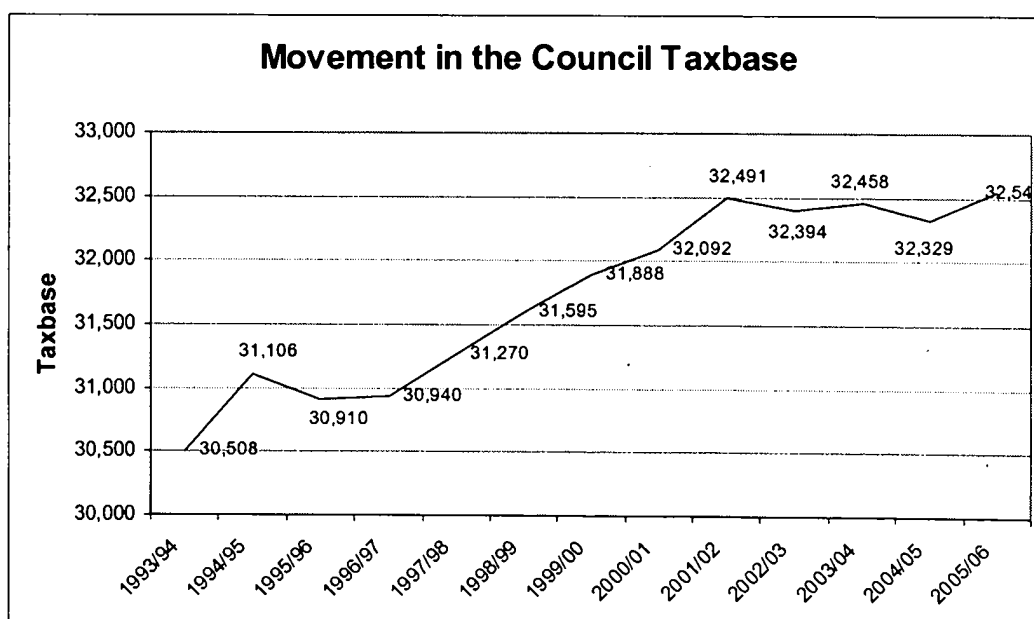
| Band | A disabled | A | B | C | D | E | F | G | H |
|------------|------------|--------|--------|--------|--------|---------|---------|---------|---------|
| Proportion | 5/9ths | 6/9ths | 7/9ths | 8/9ths | 9/9ths | 11/9ths | 13/9ths | 15/9ths | 18/9ths |

3.5 Allowance needs to be made for voids and non collection. The allowance assumed during the current financial year is 98¼ per cent. Non-collection amounts to less than ½ per cent but the total allowance has been adjusted to 98 per cent for 2005/06 because of potential resistance to the change in discounts and the potential for further increases in the number of student exemptions. The rate of 98 per cent is identical to the Government's assumption that is included in the revenue support grant calculation. Using a rate of 98% produces a total of 32,503.46 Band D equivalent properties.

3.6 To this figure needs to be added the number of Band D equivalent dwellings that are exempt because they are occupied by armed forces personnel. 50 properties fall into this category which in total produce a Band D weighted number of 43.2. The Ministry of Defence makes a contribution for these properties equivalent to the Council Tax that would otherwise be charged. The addition of these properties produces a final tax base of 32,547.

4. Comparison with previous years

4.1 The following table shows the movement that has taken place in the tax base since 1993/94.



4.2 The increase in the tax base from 2004/05 to 2005/06 is mainly due to the decision to reduce discounts for long-term empty homes.

COUNCIL TAX BASE CALCULATION 2005/06

| | PROPERTY BANDS | | | | | | | | | | Total |
|---|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|------------------|
| | A (disabled) | B | C | D | E | F | G | H | | | |
| Number sent by the Listing Officer | 0 | 1,487 | 1,179 | 5,354 | 10,118 | 6,647 | 3,724 | 2,893 | 971 | | 32,373 |
| ADJUSTMENTS | | | | | | | | | | | |
| (a) Full year effect of new dwellings added to the list | | 1 | 30 | 70 | 48 | 19 | 11 | 15 | 14 | | 208 |
| (b) Disabled reductions - banding reduced by one band | 0 | 0 | -2 | -15 | -41 | -42 | -33 | -25 | -5 | | -163 |
| | 0 | 2 | 15 | 41 | 42 | 33 | 25 | 5 | | | 163 |
| (c) Demolitions / Removed from the list | 0 | 0 | 0 | -13 | -10 | 0 | 0 | 0 | 0 | | -23 |
| (d) Exemptions | 0 | -66 | -61 | -253 | -474 | -173 | -76 | -60 | -54 | | -1,217 |
| Estimated chargeable dwellings | 0 | 1,424 | 1,161 | 5,184 | 9,683 | 6,484 | 3,651 | 2,828 | 926 | | 31,341 |
| Number of dwellings | | | | | | | | | | | |
| - entitled to a 25% discount | 0 | 725 | 722 | 2,617 | 3,074 | 1,480 | 654 | 447 | 70 | | 9,789 |
| - entitled to a 50% discount | 0 | 27 | 12 | 45 | 56 | 50 | 31 | 61 | 54 | | 336 |
| - where the Council has exercised a discretion | | | | | | | | | | | |
| - second homes discounts @ 10% | | 37 | 28 | 102 | 94 | 47 | 32 | 34 | 22 | | 0 |
| - empty homes discounts @ 0% | | 635 | 399 | 2,420 | 6,459 | 4,907 | 2,934 | 2,286 | 780 | | 20,820 |
| - other dwellings with 100% liability | | | | | | | | | | | |
| Equivalent number of dwellings | 0.00 | 1,229.25 | 974.50 | 4,507.25 | 8,886.50 | 6,089.00 | 3,472.00 | 2,685.75 | 881.50 | | 28,725.75 |
| Proportion of Band D | 5/9 | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | | |
| Number of Band D equivalent dwellings | 0.00 | 819.50 | 757.90 | 4,006.40 | 8,886.50 | 7,442.10 | 5,015.10 | 4,476.30 | 1,763.00 | | 33,166.80 |
| Allowance for voids & non collection @ 98.00% | 0.00 | 803.11 | 742.74 | 3,926.27 | 8,708.77 | 7,293.26 | 4,914.80 | 4,386.77 | 1,727.74 | | 32,503.46 |
| ADD Contributions in lieu for MOD property | | | | | | | | | | | 43.20 |
| Tax base | | | | | | | | | | | 32,546.66 |

RUNNYMEDE BOROUGH COUNCIL

BUDGET BOOK 2005/06

BUDGET CHANGES AND ASSUMPTIONS

1. **Format of Estimates**

As well as the detailed financial estimates, information is given on the service levels and on stated policy aspirations. The aim is to allow Members and other users to compare the level of the budget to qualitative and quantitative output measures.

2. **Council Policy**

The Council approved the Financial Forecast in October 2004. The Forecast is a key financial planning tool and it sets out the medium term financial strategy of the Council. The Forecast also sets out the financial impact of anticipated changes in budgetary provision at service level.

The Council faces considerable financial challenges over the next few years. The financial strategy of the Council requires new savings of £964,000 a year being achieved by 2007/08. The Forecast also identifies further savings of £550,000 needed by 2007/08 to avoid the possibility of Council Tax capping. These savings targets are combined with stepped increases in Council Tax.

The Council resolved that Members would identify service areas that should be examined in detail with a view to achieving the savings target. Officers would then be instructed to bring forward reports on the service areas identified. These estimates have been compiled on the basis of approved policy only and do not speculate on further proposals that may be brought forward.

3. **Capital Charges**

The assets used in the provision of services comprise the land and buildings, vehicles and equipment used by each service. The accounting charges for these assets – the Capital Charges – are shown as a separate line on each relevant service page. The net impact on the Council is neutral of course, as a corresponding credit for all capital charges is made in the General Fund Summary statement.

4. **Staff Costs – Pensions**

The Pension Fund actuary has completed his triennial review of the Pension Fund. A full report on the results of the review will be made to the Corporate Management Committee on 3 February. In summary, the Actuary has calculated that the ongoing employers contribution rate will increase to 12.5% of employee's pensionable pay from April 2005. The rate for the previous 3 years was 10.0%. This factor alone will increase the overall salary costs by 2.1%.

The 2005/06 estimates assume a local inflationary pay increase of 3% effective from July 2005. Taken with the additional cost of the employers pension contributions, this increases staff costs by 5.1%. Where appropriate allowance has also been made in the estimates for staff progression through the pay scales awarded via the performance related pay scheme. This means that for some services the cost of staffing in 2005/06 is substantially more than for 2004/05, even though there have been no changes in personnel or staff numbers.

5. **Five-Year Strategic Maintenance Programme**

In July 2002 the Corporate Management Committee approved a five-year programme of repairs, planned maintenance and improvement works to the corporate property portfolio. The programme covers all the buildings owned by the Council except for the housing stock and commenced in April 2003.

The programme was constructed following a detailed survey. It includes a substantial element to improve buildings to comply with legislation, particularly the Disabled Discrimination Act 1995. The total cost of the five-year programme is £3.2m and is a significantly greater provision than in previous years. The programme will be financed partly from revenue, with improvement works met from capital resources. To simplify control and management, and to provide transparency about the scale of the programme, service budgets include the estimated cost of all the works (i.e. both capital and revenue

financed). A global adjustment will be made in the General Fund Summary Revenue Account to account for the proportion financed from capital resources.

All works falling under the Strategic Maintenance Plan are scheduled in order of priority over a five-year period. This means that there will be large year on year variances in the bottom line of some services because of the incidence of planned and cyclical works on individual budgets. The Programme is being managed on the basis that any additional work identified is funded from within the overall £3.2m budget. This means that some items of planned work are deferred to future years to keep within the overall budget.

As part of the resolutions that accompanied the approval of the Annual Report on Personnel 2003/04, the Council approved a new post of Chartered Surveyor to undertake the workload involved with the strategic maintenance contract. The cost of this post is being met within the overall provision for strategic maintenance programme and is being accounted for centrally in 2004/05 to avoid changing in-year allocations to services. However, from 2005/06 this cost forms part of the Technical Services recharges to services in line with other overheads. This change has substantially increased this recharge in 2005/06.

6. Support Service Costs

The Best Value Accounting Code of Practice requires the cost of overheads to be allocated to those services that use that overhead. To fully comply with these accounting rules, new recharges for Runnymede On-Line (the Council's Website and Internal Intranet) and the Safer Runnymede CCTV equipment have been charged to services for the first time. These allocations do not increase the overall costs of the Council's services, as the corresponding service budgets will reduce by the total of allocations made.

7. Fees and Charges

As part of the resolutions that accompanied the approval of the Financial Forecast, the Council also required each Committee to consider increasing the contribution that users make to the cost of services (where it is lawful to do so) when undertaking their next review of fees and charges. Explanations for increases are shown in the reports accompanying each service area budget.

The following assumptions have been made in the detailed preparation of estimates for 2005/06.

General Expenses

| | |
|----------------|---|
| Salaries | 3% from 1 July 2005 |
| Wages | 3% from the appropriate pay review date |
| Other Expenses | 2.5% where appropriate |

Capital Charges

| | <u>2004/05</u> | <u>2005/06</u> |
|--|----------------|----------------|
| Assets valued at historic cost (e.g. infrastructure assets, community assets) | 4.80% | 4.95% |
| Assets valued at current cost (e.g. operational assets, investment properties) | 3.50% | 3.50% |

Income and Investments

| | |
|----------------------|---|
| Fees and Charges | In accordance with the fees and charges schedule. |
| Investment Interest: | |
| External Funds | Average rate of 5.0% |
| Internal Funds | Average rate of 5.0% |