

Runnymede Borough Council

COUNCIL MEETING

Thursday 11 February 2010 at 7.30 p.m.

5. 2010/11 BUDGET AND COUNCIL TAX

RECOMMENDATION FROM CORPORATE MANAGEMENT COMMITTEE –  
4 FEBRUARY 2010

The Committee noted the main changes that had taken place between the Council's 2009/10 original budget estimate and probable outturn and the 2010/11 estimate, the position of the budget when compared to the Financial Forecast, the impact of the adverse economic conditions on the budget, the anticipated level of Council tax increase that would be permitted by any Government which was in power in 2010, and the effect of budget decisions on the Council Tax. Having considered these matters, the Committee recommended the level of Council Tax for 2010/11.

In December 2009, the Council had considered its Financial Forecast for 2010/11 to 2014/15. The Council had approved a strategy of increases in the Council Tax restricted to 5% per annum, a target of generating further revenue reductions of £847,000 on top of the annual savings of £1,365,000 already approved and of continuing to use working balances over the next five years to bridge the gap between the Council's net spending levels and the yield from taxation. This strategy now required amendment in the light of recent developments.

The Committee noted a comparison of the original estimate with the projected outturn for 2009/10 and a summary of budget developments in 2009/10 which showed the reasons for an increase in net expenditure on services in 2009/10 of £664,500. The economic downturn had had serious implications for Runnymede's financial prospects as shown in the probable outturn. The reduction in income reflected the reduced use of services for which the Council made charges. The Council's response to the deteriorating financial outlook had been to approve further budget reductions and to initiate a programme of service reviews commencing in January 2010. The withdrawal from working balances in 2009/10 was expected to be £2.839 million, which was £770,300 more than the original estimate. The Financial Forecast had assumed that £2.644 million of working balances would be used. The accelerating use of balances meant there was less time to implement the significant reduction in service spending that needed to be delivered from the forthcoming service reviews.

The Committee noted a comparison of the estimated net expenditure on services in 2010/11 with the 2009/10 estimates. The Council had recently been advised that the Department of Transport grant for 2010/11 for concessionary bus fares would be £83,800 rather than £100,000. This resulted in an increase in net expenditure on community services of £16,200, bringing the total net expenditure on services to £16,631,700. This represented a reduction of £105,000 (0.6%) from the 2009/10 original estimate. A summary of the reasons for the reduction of £105,000 was noted. The position on the Housing Revenue Account and on Reserves and Provisions was noted.

The financial projections had been re-evaluated in the light of the position disclosed in the 2010/11 budget. The key assumptions now were for average interest earnings of 2.5% in 2010/11, 4% in 2011/12 and 5% thereafter, inflation on prices of 2%, income to be

inflated by 3% per annum, the disposal of the old civic offices site to take place in 2011/12, a further recovery in income from fees and charges in 2011/12 to be realised as the economy emerged from recession and that the service reviews commencing in January 2010 combined with a staff pay scale freeze would yield savings of £47,000 in 2010/11, £707,000 in 2011/12 and £847,000 in both 2012/13 and 2013/14. It was critical to the Council's financial position that these savings were achieved as balances were running out and large Council Tax increases were not possible.

Investment income in 2009/10 was expected to be £560,000 compared with £800,000 in the original estimate. The average interest rate assumed in the original estimate was 4% and although base rates were expected to remain at 0.5% for the remainder of the financial year the probable outturn had been based on average rates of 3.25%.

The Council was faced with a difficult dilemma in setting the Council Tax for 2010/11. The Committee noted the effect of different Council Tax increases on the budget for 2010/11. The Council Tax would not support the present level of service expenditure and the Council would be heavily reliant on withdrawing from its balances in order to balance the budget. At the present rate of withdrawal, the balances would only last for another two years at the maximum and therefore urgent budget reductions and increases in income would have to meet the shortfall as the Council was severely restrained in the amount by which it could increase the Council Tax. The Government would cap what it saw as an excessive Council Tax increase. The definition of what was excessive would not be announced by the Government until after local authorities had set their budgets, although a Ministerial Statement in January had suggested that this may be close to a 3% increase. This statement referred to the fact that the Government had already initiated capping action against three police authorities in advance for 2010/11 to limit their Council Tax increases to around 3%.

The Committee accordingly agreed to recommend that the Council Tax increase for 2010/11 be set at 3% rather than 5%. The effect of a 3% Council Tax increase in 2010/11 would be to reduce the tax yield and the Net Demand by £87,000, to reduce the Budget Requirement from £10,283,500 to £10,196,500, and to reduce the basic amount of Council Tax (at Band D) from £139.50 to £136.89. Looking forward, remaining working balances would be £1m at the end of 2014/15 rather than £1.6m, but this was calculated on the basis that the Council Tax would be able to be set at a 5% increase from 2011/12 onwards, which currently appeared unlikely. In view of the commitment from both of the main political parties to reduce public spending and levels of Council Tax increases for future years, it was agreed that Officers would report to the next meeting of the Committee with a General Fund Revenue Account Forecast Summary showing the effect of a 2.5% increase in the Council Tax for 2011/12 and 2012/13 and a 3% increase in Council Tax for 2013/14 and 2014/15.

The Council's Formula Grant from Government for 2009/10 had been calculated by an assessment of relative needs (£2,736,300) less a deduction for relative resources (£2,750,900) plus a population based central allocation (£5,787,000), less floor damping of £152,100. This resulted in a Formula Grant to the Council of £5,620,300. The 2010/11 Formula Grant entitlement represented an increase of 2.52% over the previous year. Formula Grant would be paid partly in the form of redistributed National Non-Domestic Rates and partly in Revenue Support Grant. There was a surplus of £13,000 for Runnymede on the Collection Fund this year because Council Tax yield had been better than expected largely because completions of new properties had exceeded expectations.

The Corporate Management Committee estimates had been considered by the Committee at its last meeting on 20 January 2010. The other Committees had also considered their estimates and the overall budget was now submitted for approval and recommendation to full Council on 11 February 2010. The precepting decisions of Surrey County Council and the Surrey Police Authority would not be made until after the meeting of this Committee, so it would be necessary to submit a separate report with this information direct to Council. The overall Council Tax for 2010/11 would be the aggregate of the tax decisions made by Runnymede Borough Council, Surrey County Council and the Surrey Police Authority.

The recommendation to Council related only to Runnymede's budget and did not include the Council Tax decisions of Surrey County Council and the Surrey Police Authority. The wording of the recommendation was based on the terminology in the legislation and referred to the gross expenditure on all services in the General Fund and the Housing Revenue Account offset by the gross income in the General Fund and the Housing Revenue Account including the use of balances. This calculation produced the budget requirement of £10,196,500. The calculation of the basic amount of Council Tax for a Band D property of £136.89 was as set out below.

	£
Budget Requirement	10,196,500
Less Formula Grant	- 5,620,300
Less Collection Fund Surplus	- 13,000
Net Demand	4,563,200
Divided by Council Tax Base	÷ 33,335
<b>Basic amount of Council Tax (Band D)</b>	<b>£136.89</b>

Runnymede's element of the Council Tax remained too low to support the present level of spending on services. Only large withdrawals from balances allowed the current spending on services to be supported. The Government's policy on restricting tax increases meant that there was no prospect of tax revenues bridging this gap alone. The Council did not have sufficient balances to support the budget for much longer. In order to bring the budget into balance it was necessary to make significant service reductions with a savings target of £1m to £1.5m of further revenue reductions now being required. Under these circumstances Runnymede's Council Tax needed to be the maximum that could be set without being capped by the Government.

The current economic climate had increased the financial and operational risks to which the Council was exposed. Income from fees and charges had fallen from an estimate in 2009/10 of £5,295,700 to an estimate of £5,093,300 in 2010/11. This accelerated the use of balances, and the prospects for inflation and interest rates were uncertain. The financial projections assumed that fees and charges income would start to recover in 2011/12 but this might be optimistic. Other areas of risk to the Council's long term financial strategy were an increase in inflation, reduction in Government grant after 2010/11, capping of the Council Tax, future Pension Fund liabilities and risks associated with the timing and extent of the economic recovery, particularly relating to asset disposals and income from charges and rents.

There was still time to achieve planned, deliverable savings that would allow the Council to continue providing a range of quality services. However, there were difficult choices in deciding which budgets to reduce and the rigours of the service review programme would be needed to deliver the scale of savings required.

**RECOMMEND that -**

- i) the revised revenue estimates for the year 2009/10 and the revenue estimates for 2010/11 as submitted in the 2010/11 Budget, be approved;**
- ii) the following amounts be now calculated by the Council for the year 2010/11 in accordance with sections 32 to 36 of the Local Government Finance Act 1992:-**
  - a) £66,344,100 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) £56,147,600 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) £10,196,500 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) £5,633,300 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) £136.89 being the amount of ii)(c) above less the amount at ii)(d) above, all divided by the Council Tax Base of 33,335 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**

<b>Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>Amount</b>	<b>£91.26</b>	<b>£106.47</b>	<b>£121.68</b>	<b>£136.89</b>	<b>£167.31</b>	<b>£197.73</b>	<b>£228.15</b>	<b>£273.78</b>

**(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.**