

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 2009/10. *(Amended to reflect the decision of Council on 12 February 2009 to set a Band D tax of £132.93)*

1. INTRODUCTION

- 1.1 The need to achieve revenue savings in order to achieve a budget that satisfies Government constraints on tax raising remains the dominant issue in this year's budget.
- 1.2 In December 2008 the Council considered its **Financial Forecast** for the period from 2009/10 to 2013/14 and approved the following financial strategy:-
- i) increases in the Council Tax restricted to 5% per annum;
 - ii) a package of revenue reductions that are planned to produce annual savings of £712,000 by 2013/14;
 - iii) 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.
- 1.3 The 2009/10 budget has been drawn up on the basis of the approved Financial Forecast and incorporates the Council's various strategies and policies, in particular:
- the Sustainable Community Strategy
 - the Committee Service Plans
 - the Housing Strategy and HRA Business Plan
- 1.4 This report summarises the main changes that have taken place between the 2008/09 Original Estimate and the 2008/09 Probable Outturn and the 2009/10 Estimate. More detailed explanations are shown in the Budget Variations against each service budget and in the reports presented to each service Committee. The report also compares the budget with the Council's financial forecast and considers the implications of the worsening economic situation on the Council's budget. Finally it sets out the effect of the budget decisions on the level of Council Tax.

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 main issues that have had a bearing on the proposed budgets. It follows the format that has been used successfully in previous years.
- 2.2 The budget includes some high-level cost comparisons for key budget areas, which compare Runnymede with the other Surrey district councils. These comparisons are based on the 2008/09 original estimate and are taken from the statutory return that all authorities have to complete and submit to the Department of Communities and Local Government (DCLG).
- 2.3 An explanation of the main assumptions and accounting conventions used in compiling the estimates are presented in the statement on pages xx to xxiii.

3 **PROBABLE ESTIMATES FOR 2008/09**

- 3.1 The probable estimates for 2008/09 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 2008/09 financial year is summarised in the following table:

Table 1 - Comparison of Original and Revised Estimates for 2008/09

	Original Estimate	Projected Outturn	Variation
	£	£	£
Net Expenditure on Services	15,657,600	17,209,100	1,551,500
Asset Management			
- Reversal of capital charges	-3,969,900	-4,348,700	-378,800
Transfers to Reserves	314,000	314,000	0
Area based grant		-22,500	-22,500
Investment Income	-1,200,000	-1,300,000	-100,000
Net General Fund Expenditure	10,801,700	11,851,900	1,050,200
Use of working balance	-1,284,500	-2,334,700	-1,050,200
Budget Requirement	9,517,200	9,517,200	0

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

Table 2 – Summary of Budget Developments in 2008/09

Developments	Amount
	£
<u>Increases:-</u>	
Budgets brought forward from 2007/08	348,300
Concessionary Fares	121,600
Reduced income (see paragraph 5.2)	432,500
Recycling – increased collection costs and payments to the contractor	63,800
Refuse Collection – increased vehicle costs and delays reducing rounds	70,700
Planning appeals, consultancy and staffing	90,100
Housing and Planning Delivery Grant – capital element	50,100
Civic Offices – rates, fees and maintenance	184,100
Changes in capital charges	378,800
Other growth items and cost increases	266,900
Total Cost Increases	2,006,900
<u>Reductions:-</u>	
Increased rents, fees and charges and contributions	-185,100
Over provision for pensions and PRP in the original budget	-91,500
Other budget reductions	-178,800
Total Reductions, etc.	-455,400
Increase in Net Expenditure on Services in 2008/09	1,551,500

- 3.4 The service estimates explain the changes for individual services in greater detail. The large increase in net expenditure reverses the experience of recent years when the probable outturn has been less than the original estimate.
- 3.5 The economic downturn has resulted in the reduced use of services for which the Council makes charges. The impact on fees and charges is considered further in section 5.
- 3.6 Investment income is expected to be £1.3 million compared £1.2 million in the original estimate. The average interest rate assumed in the original estimate was 5%. Investment returns have benefited from higher than expected rates earlier in the year and higher opening balances on our reserves. The report on Treasury Management to the meeting of the Corporate Management Committee in February 2009 provides a more detailed explanation of investment performance and cash-flow management. The difficulties in the banking sector and wholesale money markets and the impact on the Council's treasury management policies was reported to the Corporate Management Committee on 30 October 2008.
- 3.7 Area based grant is a non-ringfenced general grant that has replaced a range of former specific grants from seven Government departments. Authorities are free to use this grant as they see fit. The grant for 2008/09 and 2009/10 was confirmed by the DCLG in November 2008.
- 3.8 The withdrawal from working balances in 2008/09 is expected to be £2.335 million, which is £1.050 million more than the original estimate. The Financial Forecast assumed that £2.090 million of working balances would be used. The deterioration in the 2008/09 financial position is a result of lower income expectations and the cost increases summarised in Table 2. A key message from the Financial Forecast was that this scale of use of working balances cannot be sustained. It is clear that in the current economic climate, there is no scope to take on additional spending commitments without identifying compensating budget reductions.

4. **ESTIMATES 2009/10**

- 4.1 A comparison of the estimated net expenditure on services in 2009/10 with the 2008/09 estimates is summarised in Table 3. The net expenditure on services in 2009/10 is £16,736,700, which represents an increase of £1,079,100 (6.9%) over the 2008/09 original estimate.

Table 3 - Original Estimates for 2008/09 compared to 2009/10 Estimates

Service	Original 2008/09 £	Estimates 2009/10 £	Variation £
Housing Services	1,326,400	1,353,700	27,300
Community Services	1,665,600	1,890,200	224,600
Leisure Services	3,472,100	3,506,100	34,000
Environmental Services	3,277,700	3,622,600	344,900
Licensing & Regulatory	121,700	126,500	4,800
Planning Services	1,462,900	1,858,600	395,700
Highways Services	649,000	638,800	-10,200
Economic Development	106,600	365,600	259,000
Corporate and Business Services	3,860,600	3,517,700	-342,900
Capitalisation of Building Works	-285,000	-143,100	141,900
Net expenditure on services	15,657,600	16,736,700	1,079,100

- 4.2 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 2009/10 compared to the 2008/09 estimates.

Developments	Amount
	£
Allowance for pay and price inflation	422,800
Full year effect of July 2008 pay award	129,300
Reduced income (see paragraph 5.2)	514,600
Concessionary Fares	129,500
Planning appeals, consultancy and staffing	168,300
Refuse collection/recycling initiatives	129,000
Civic Offices running expenses	80,700
Changes in capital charges	350,300
Other growth items and cost increases	134,600
Total Cost Increases	2,059,100
Offset by:-	
Increase in rents, fees and charges net of inflation	-330,400
Budget reductions	-558,100
Over provision for pensions and PRP in the original budget	-91,500
Total Savings, etc.	-980,000
Net increase from 2008/09 Estimate to 2009/10 Estimate	1,079,100

4.4 The overall position of the General Fund for the 2009/10 financial year is summarised in Table 5.

Table 5 - Budget Requirement in 2009/10 compared with 2008/09

Committee	Estimates 2008/09	Estimates 2009/10	Variation
	£	£	£
Net expenditure on services	15,657,600	16,736,700	1,079,100
Asset Management			
- reversal of capital charges	-3,969,900	-4,320,200	-350,300
- transfer to reserves	314,000	314,000	0
Area based grant		-22,500	-22,500
Investment Income	-1,200,000	-800,000	400,000
Net General Fund expenditure	10,801,700	11,908,000	1,106,300
Use of working balance	-1,284,500	-2,069,000	-784,500
Budget Requirement	9,517,200	9,839,000	321,800

4.5 Investment income on receipts and reserves in 2009/10 has been based on achieving an average return of 4%. This is less than the assumption made in the October 2008 Financial Forecast and reflects the rapid reduction in interest rates as the Bank of England attempts to stimulate the economy. Without the protection offered by fixed term investments made when interest rates were higher, investment income would be substantially lower because short-term interest rates are expected to average 1.5% in 2009/10. The Council's Treasury Management Strategy for 2009/10 explains this in more detail.

4.6 When announcing the local government finance settlement in November 2008 the Minister stated that the Government expected Council Tax increases to be substantially below 5%. If the Council Tax increase is to be limited to 4.83%, the Budget Requirement can be no more than £9,839,000 in 2009/10 (representing a 3.38% increase on the budget requirement in 2008/09). In order to achieve this it will be necessary to withdraw £2,069,000 from working balances to reduce net General Fund expenditure. This is considerably more than the Council planned in its Financial

Forecast (£1.7 million) and it highlights the vulnerability of the Council to the current economic downturn. The implications are considered in section 6.

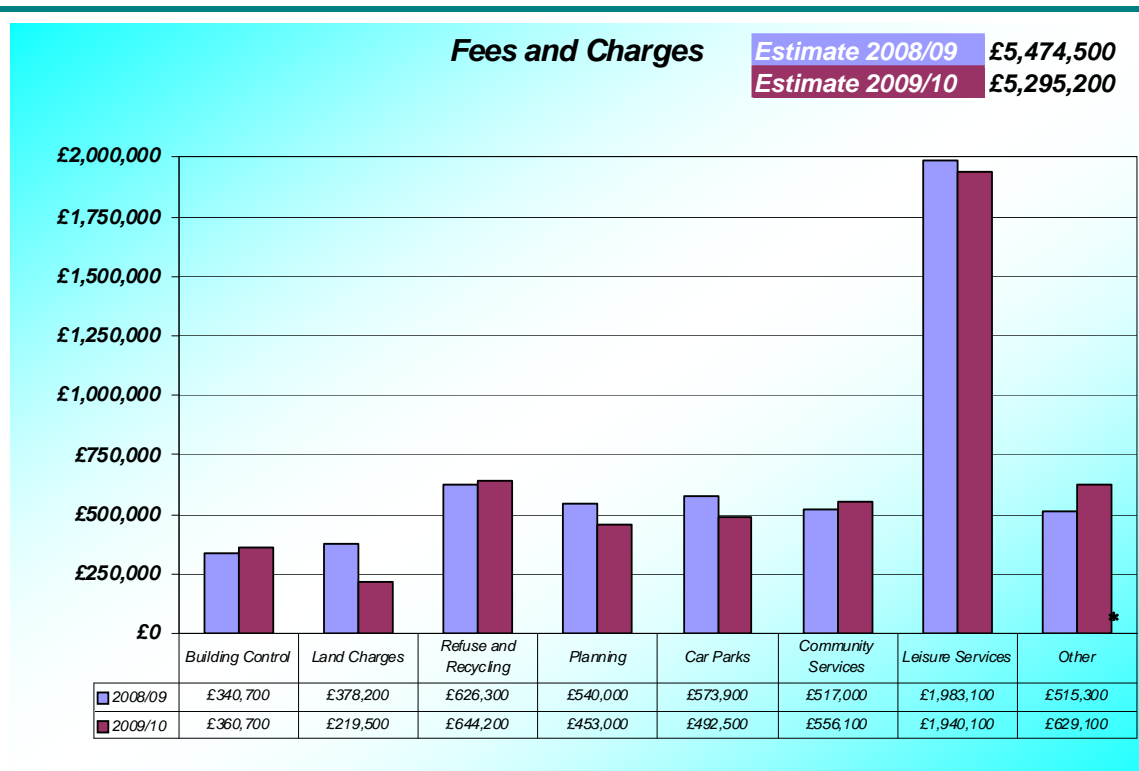
5. FEES AND CHARGES

- 5.1 The Council derives more income from the fees and charges than it collects than from its share of the Council Tax. This underlines their importance in paying for the desired level of services at a time when funding from the Council Tax and Government Grant is under pressure. Increased income continues to feature in the latest programme of net revenue reductions.
- 5.2 It will already be apparent from Tables 2 and 4 that some significant sources of income have proved to be vulnerable as the UK economy moves into recession. This has particularly affected income that is dependent on the property market, like land charges and development control fees. The main income budgets that have reduced from the 2008/09 original estimate are listed below:-

Table 6: Projected reduction in income from the original 2008/09 estimate

	Probable Outturn 2008/09	Estimate 2009/10	Comments
	£	£	
Egham Leisure Centre	63,100	59,800	Over estimate of pitch income
Addlestone Leisure Centre	83,500	66,900	Over estimate of membership
Development control fees	50,000	103,000	Downturn in property market
Car parking income	55,900	104,000	
Land charges	180,000	180,900	Downturn in property market
	£432,500	£514,600	

- 5.3 Schedules of fees and charges for 2009/10 are set out on pages 331 to 370 of the Budget Book. The new charges are applicable from 1st April 2009 unless otherwise stated. The additional income from the proposed charges is included in the estimates for 2009/10. While this is expected to generate an additional £92,000 in 2009/10, this is offset by the downturn in activity so that the total income from fees and charges is estimated to reduce from £5,474,500 to £5,295,200. This is depicted in the following chart.



* N.B. "Other" includes £172,800 relating to Safer Runnymede contributions and £174,900 from Licensing.

5.4 The Council collects a wide range of fees and charges. Some are set by the Government (e.g. planning fees) and some are subject to legislative constraints (e.g. building control fees). For charges that are at the complete discretion of the Council, there are the social and service objectives to take into account as well as the market-place discipline of price sensitivity. It is possible that some charges are now approaching the limit that customers will accept (e.g. day centre meals and transport). These realities place a constraint on the extent to which charges can be raised.

6. **GENERAL FUND STRATEGY FOR 2009/10 AND FINANCIAL FORECAST**

6.1 This section of the report compares the 2009/10 Estimates with the Financial Forecast that was approved by the Council in October 2008 and reports the significant variations from the Council's financial strategy.

6.2 The Financial Forecast provided for a net expenditure on services of £16,077,000 in 2009/10 excluding the impact of inflation and changes in capital charges. The inflation allowance in the Forecast was £480,000 (a 3% increase in pay and prices of £540,000 offset by increases in discretionary income of £60,000). Changes in capital charges amount to £350,000. Therefore, allowing for these adjustments, overall net expenditure on services was expected to be £16,907,000.

6.3 The net expenditure on services in the budget amounts to £16,736,700. This is £170,300 less than the forecast figure of £16,907,000. The main reasons for this are:-

- Net revenue reductions of £350,000 have been incorporated in the budget in accordance with the decision of the Corporate Management Committee to approve further savings targets.
- The provision of £100,000 for the local development framework enquiry has been deferred until 2010/11.
- The provision for the July pay award at 2% is £107,000 less than the provision of 3% in the forecast.
- These reductions are offset by income that is £368,000 lower than forecast.

These differences are included in the schedule in Table 7, which summarises the changes in the 2009/10 estimates compared to the October forecast.

6.4 The significant change below the net expenditure line is the amount included in the budget for investment income (£800,000) compared with the Forecast (£1,200,000) as shown in Table 5. There are two reasons for this reduction: the decline in interest rates and the delay in disposing of the old Civic Offices site.

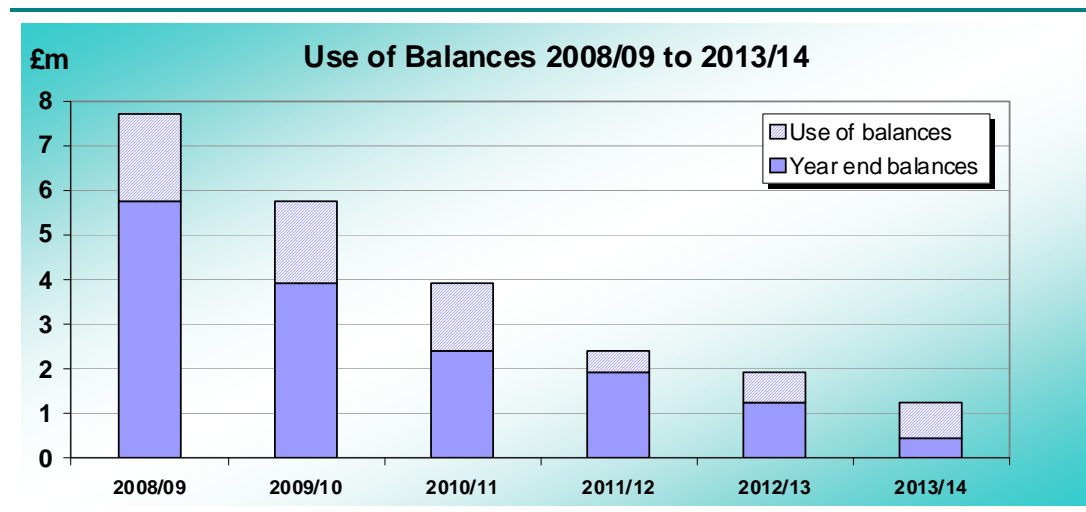
6.5 The financial projections made in the October 2008 Forecast have been re-evaluated in the light of the position disclosed in the 2009/10 Budget. The Forecast Summary shown on page xv represents an updated position that has been rebased on the 2009/10 budget figures along with the revenue reductions in future years approved by the Corporate Management Committee on 27 November 2008. The key assumptions that have been made are

- Average interest earnings of 4% in 2009/10, 3½% in 2010/11 and 5% thereafter;
- Inflation on pay and prices of 2% until 2011/12 and 3% thereafter;
- Income inflated by 3% per annum;
- Disposal of the old civic offices site in 2010/11;
- Recovery in land charges income delayed until 2011/12.

Table 7: COMPARISON OF THE 2009/10 BUDGET WITH THE FINANCIAL FORECAST

	£000's	Total £000's
Forecast net expenditure in 2009/10 approved in the October 2008 Forecast		16,907
Additional costs not provided in the Forecast		
• Care & Repair Service	7	
• Queen Elizabeth House: net direct costs of holding this property	5	
• Egham LC - income lower than anticipated	12	
• Addlestone LC - income lower than anticipated and increased costs	75	
• Recycling - increased costs	42	
• Green Waste - reduction in net income	13	
• Safer Runnymede - new maintenance agreements	18	
• Incinerator Appeal deferred to 2009/10	95	
• Planning Fee income shortfall	87	
• Housing and Planning Delivery Grant: capital element	50	
• Planning related legal Costs recovered - anticipated lower recovery	5	
• Car Park - income shortfall and increased business rates	85	
• Runnymede Travel Initiative - increase in Yellow Bus costs above inflation	10	
• Civic Centre - energy savings not achieved	10	
• Chertsey Depot - rates and insurance	4	
• Contingencies Planning: connection of link to SCC	5	
• Local Land Charges: estimated net shortfall in fee income	111	
• Computer Services: cable rental for depot extension to the LAN	8	
• Runnymede Direct Services: additional vehicle costs	5	
Total additions to the net expenditure in the Forecast	647	647
New Savings (& Cost Reductions)		
• Benefit incentive areas: additional net subsidy	(7)	
• Day centres: energy prices lower than assumed in the Forecast	(5)	
• Careline: additional charge for services to housing tenants	(12)	
• Leisure Centres - additional savings	(18)	
• Egham LC - energy prices overestimated in the Forecast	(15)	
• Leisure and Sports Development - savings and lower funding of Surrey Youth Games	(17)	
• Public Halls - increased income	(16)	
• Parks - Chertsey Meads: contribution from Natural England	(5)	
• Cemeteries - increase in income over inflation	(20)	
• Pollution Control - out of hours noise service savings target	(10)	
• Pest Control - saving on new out of hours stray dog collection service	(5)	
• Recycling - extension of current kerbside collection and additional income	(55)	
• Refuse - net increase in income (including new charges and charging regimes)	(16)	
• Vehicles - cost of fuel anticipated to be lower than forecast provision	(10)	
• Safer Runnymede - increased income, deletion of speed reduction initiative, etc	(43)	
• Planning LDF Inquiry - postponed to 2010/11	(100)	
• Car Parks - replacement of Pay & Display machines deferred	(10)	
• Civic Centre - telephone survey and catering costs reduced	(7)	
• Committee Administration savings	(15)	
• Procurement savings	(15)	
• Provision for salary savings	(20)	
• Grant Aid general provisions to be reduced	(10)	
• CEO efficiency savings	(5)	
• Technical Services Administration savings	(15)	
• Corporate Management: bank tender savings	(7)	
• Public Relations: overprovision for magazine production	(20)	
• Council Tax: cost recoveries	(15)	
• Partnership Team scheme terminated December 2008	(14)	
• Customer Services - Customer Relationship Manager system deferred	(28)	
• Salaries and wages: provision for July pay award less than Forecast	(107)	
• Over-provision for PRP Awards in April 2008	(42)	
• Pension current funding - provision overstated	(50)	
• Recruitment incentives	(13)	
• Net over provision for inflation in the Forecast	(34)	
• Other changes (net)	(36)	
Total reductions to the net expenditure in the Forecast	(817)	(817)
Estimated Net Expenditure on Services in 2009/10		16,737

- 6.6 Based on these revised assumptions, the General Fund position shows a slight improvement after 2009/10 compared with the Financial Forecast, but it is still not sufficient to sustain expenditure over the next five years without further savings. The main areas of risk to these longer term projections were described in the October report on the Financial Forecast. The risks which are critical are inflation, future Pension Fund liabilities and those associated with the timing and extent of the economic recovery (particularly relating to asset disposals and income from charges and rents). Inflation remains the greatest area of uncertainty and different assumptions make a significant difference to the position shown on page xv. Some economists are predicting deflation later in 2009 and the forecast on page xv is based on the assumption that inflation will remain below the rates experienced over the last year (and at the time of writing this report the latest RPI data at December 2009 showed inflation at 0.9%). The largest cost item over which the Council exercises control is staffing. The estimate for the July pay award in the 2009/10 budget is 2% and clearly it will be a challenge for the Council to balance affordability with the need to retain staff.
- 6.7 The anticipated use of balances reflecting the updated financial forecast on page xv is illustrated in the following chart. This shows the General Fund balance falling below the minimum level that the Council has decided to maintain (£1.5 million) at the end of 2012/13. Inflation, investment income and the timing of the recovery income from fees and charges all have a significant impact on these projections. Based on the forecast on page xv, the Council will have to make further net reductions in spending in order to produce a sustainable budget beyond 2011/12.



- 6.8 The other key variable that will determine the use of balances is the income that the Council derives from the Council Tax. Runnymede's tax of £126.81 at Band D in 2008/09 is £62 less than the average for English districts and taxing at a higher level would reduce the Council's dependence on balances. However, the Council's policy is to increase its share of the Council Tax by no more than 5% in order to avoid being capped by the Government.
- 6.9 Recent pronouncements by the Local Government Minister have raised concerns that the Government may decide to cap increases below 5%. Bearing in mind that the increase in the Council's budget requirement in 2009/10 is only 3.38% and its tax is currently the sixth lowest local tax in England, the capping criteria would have to be very severe in order to include Runnymede. On balance Officers still believe that the Government will not cap Runnymede if the tax is increased by 4.83% to £132.93 but this is by no means certain.

7. HOUSING REVENUE ACCOUNT

- 7.1 The report on the Housing Revenue Account estimates was presented to the Housing and Community Services Committee and this is reproduced at page 275. The estimates are consistent with the HRA Business Plan. The projected HRA balance at 31 March 2010 is expected to be £2.6 million. While the HRA business plan shows that rental income is expected to support the management and maintenance of the housing stock over the next six years, this is vulnerable to changes in subsidy and rent levels determined by the Government. The outcome of the current review by the Government of the HRA and HRA subsidy systems will determine the long-term financial sustainability of retaining the Council's housing stock.

8. RESERVES AND PROVISIONS

- 8.1 The Local Government Act 2003 requires the Director of Finance to 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 8 shows in more detail the estimated changes in those revenue reserves that relate to the General Fund for the period to 31 March 2010.

Table 8 - General Fund Revenue Reserves and Balances

	Balance at 1.4.08 £000	Movement in 2008/09 £000	Balance at 31.3.09 £000	Movement in 2009/10 £000	Balance at 31.3.10 £000
<u>Unallocated balances</u>					
Working Balance	7,701	-1,943	5,758	-1,852	3,906
<u>Farmarked Reserves</u>					
IT Renewals Reserve	590	-221	369	13	382
Safer Runnymede Equipment Reserve	77	89	166	29	195
Car Park Machines Replacement Reserve	92		92	0	92
Museum Purchases Fund	29	2	31	1	32
ESC Equipment Replacement Reserve	71	15	86	15	101
ESC Football Pitch Reserve	30	30	60	30	90
ALC Equipment Replacement Reserve	45	10	55	10	65
Maintenance of graves in perpetuity	2	0	2	0	2
Total	8,637	-2,018	6,619	-1,754	4,865

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 xv) 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 £1.5 million is the minimum recommended level of unallocated General Fund reserves that it needs to hold.
- 8.4 The **IT Renewals Reserve** was established in 1994/95 to provide a source of funding for future IT replacements. The annual contribution of £85,000 to this reserve provides for future hardware and software replacements. This charge is included in the General Fund Summary Revenue Account (page xv, line 14). A large programme of replacements took place in 2007/08 and 2008/09 to coincide with the re-provision of the new Civic Offices. Further expenditure of £72,000 is planned for 2009/10. This will leave a balance of £382,000 at 31st March 2010.

- 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. Like the IT renewals, the replacement of CCTV monitoring equipment was phased to coincide with the re-equipping of the monitoring centre in the new Civic Offices. The reserve financed expenditure of £430,381 in 2007/08 and further financing of £40,000 in 2008/09 and £100,000 in 2009/10 will leave a balance of £195,000 in the reserve at 31 March 2010.
- 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. In view of the increased reliability of the car parking machines, contributions to the reserve were suspended as part of the revenue reductions approved by the Council because the balance on the reserve was sufficient to pay for future replacements. The report on revenue reductions made to the Corporate Management Committee on 27 November 2008 anticipated extending the period over which there would be no contributions for a further two years to 2010/11. However, proposals to replace the machines are now planned in 2010/11, which means that contributions to the reserve will be reinstated in 2010/11.
- 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 museum revenue budget contains a provision for conservation that is rolled forward each year until enough money is available to carry out work. This distorts the budget so it was agreed to add this element to the Purchases Fund. After allowing for interest and contributions of £1,500 both in 2008/09 and 2009/10, the balance is expected to be £32,000 on 31st March 2010.
- 8.8 Contributions have been made to two **Egham Sports Centre Replacement Reserves** in order to fund the periodic replacement of equipment in the Fitness Suite and renewal of the all weather pitches. The revenue budget provides for annual contributions of £70,000 to the reserves. Expenditure of £25,000 is programmed to be financed from the reserve in both 2008/09 and 2009/10.
- 8.10 The **Addlestone Leisure Centre Replacement Reserve** was established in 2006/07 for similar purposes. The budget includes annual contributions of £30,000 to the reserve and the financing of £20,000 expenditure in both 2008/09 and 2009/10.

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 2009 in order to distribute these amounts in 2009/10.
- 9.2. Any surplus or deficit arising from Council Tax transactions is shared between Runnymede Borough Council, Surrey County Council and Surrey Police (the precepting bodies) in proportion to their demands on the Collection Fund. The Council Tax yield has not been as buoyant as anticipated with the growth in the properties entitled to discounts and exemptions outpacing the growth in new properties. The result is that there will be an estimated deficit of £350,000 on the Council Tax Collection Fund at 31st March 2009. The deficit will be distributed as follows.

	£
Surrey County Council	269,800
Surrey Police Authority	47,900
Runnymede Borough Council	<u>32,300</u>
	<u>£350,000</u>

10. **THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2009/10**

10.1 Last year the Government published settlement figures for three years, covering 2008/09, 2009/10 and 2010/11. The grant that the Council will receive in 2009/10 is consistent with last year's statement. The provisional announcement was reported to the Corporate Management Committee on 8 January, 2009 and there have been no changes to the final figures. The main features of the system are summarised below.

Formula Grant

10.2 **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 the following elements:-

Table 9: Formula Grant from the Government - Runnymede's share

2008/09 £		2009/10 £
2,669,300	• Relative Needs , assessed by ascribing values to a range of indices (mainly demographic)	2,701,200
(2,901,500)	• A deduction for Relative Resources , calculated by assessing the authority's taxbase in relation to its population	(2,828,400)
5,726,400	• A Central Allocation , paid on a population based formula	5,758,900
(128,900)	• Floor Damping , providing protection to those authorities whose entitlement would otherwise fall below the 2.7% increase announced by the Government (and paid for by reducing the entitlement of authorities whose increase is more than 2.7%)	(149,600)
£5,365,300	Formula Grant	£5,482,100

10.3 These amounts will be paid partly in the form of redistributed **National Non-Domestic Rates** (£4,454,100) and partly in **Revenue Support Grant** (£1,028,000). The 2009/10 entitlement represents an increase of 2.18% over the previous year.

Relative needs

10.4 The calculation of Relative Needs is split between spending blocks. District Council services fall into one block called the Environmental Protection and Cultural Services (EPCS) block. The Council's relative needs is the sum of

- the EPCS calculation;
- an element to reflect flood defence costs (based on historic spending);
- a fixed cost element;
- a capital financing element.

Floor Damping

10.5 The settlement provides grant protection so that no authority will receive less than the minimum increase announced by the Minister. For districts the floor increase is 1% in 2009/10. The cost of paying for floor damping is met by scaling back the amount of grant paid to those authorities whose increase is more than the floor. Since Runnymede's entitlement in 2009/10 will be in excess of the floor increase, the grant paid will be scaled back by £149,600 to redistribute to Councils below the floor. Without this reduction, Runnymede would receive an increase of 5% rather than the 2.18% that has been announced.

11. **THE BOROUGH'S BASIC AMOUNT OF COUNCIL TAX 2009/10**

11.1 The calculation of the Council's basic amount of Council Tax is made by deducting from the Budget Requirement the formula grant that will be received from the Government.

11.2 The result is divided by the Council Tax Base of 33,019 (the calculation of this figure is explained on pages xvii to xix).

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

	£
Budget Requirement	9,839,000
Less Formula Grant	- 5,482,100
Add Collection Fund deficit	<u>32,300</u>
	4,389,200
<u>Divided by Council Tax Base</u>	÷ 33,019
Basic amount of Council Tax for the Borough	£132.93

11.4 The Basic Amount of Council Tax of £132.93 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	£88.62	£103.39	£118.16	£132.93	£162.47	£192.01	£221.55	£265.86

12. **SETTING OF THE COUNCIL TAX**

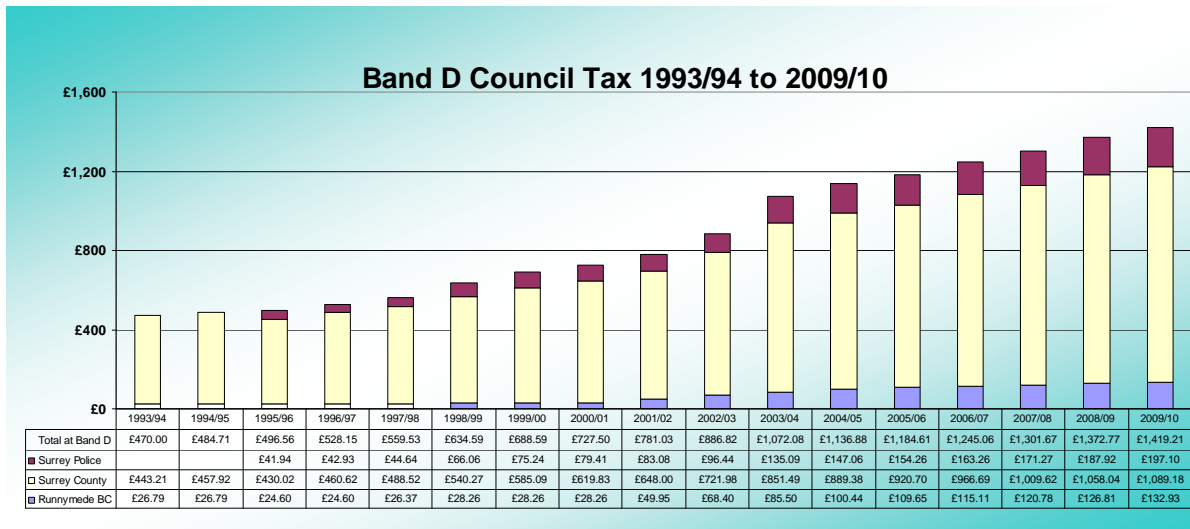
12.1 The Council in its capacity as billing authority is required to set an amount of Council Tax which is an aggregate of the amounts set by the Borough Council, the County Council and the Police Authority. The precepts levied by each Authority equate to the following Band D Council Tax.

	£
Runnymede Borough Council	132.93
Surrey County Council	1,089.18
Surrey Police Authority	197.10
Total Band D Council Tax	£1,419.21

12.2 The charge for the dwellings in each Council Tax band is shown below.

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
	£	£	£	£	£	£	£	£
Runnymede BC	88.62	103.39	118.16	132.93	162.47	192.01	221.55	265.86
Surrey County	726.12	847.14	968.16	1,089.18	1,331.22	1,573.26	1,815.30	2,178.36
Surrey Police	131.40	153.30	175.20	197.10	240.90	284.70	328.50	394.20
	<u>£946.14</u>	<u>£1,103.83</u>	<u>£1,261.52</u>	<u>£1,419.21</u>	<u>£1,734.59</u>	<u>£2,049.97</u>	<u>£2,365.35</u>	<u>£2,838.42</u>

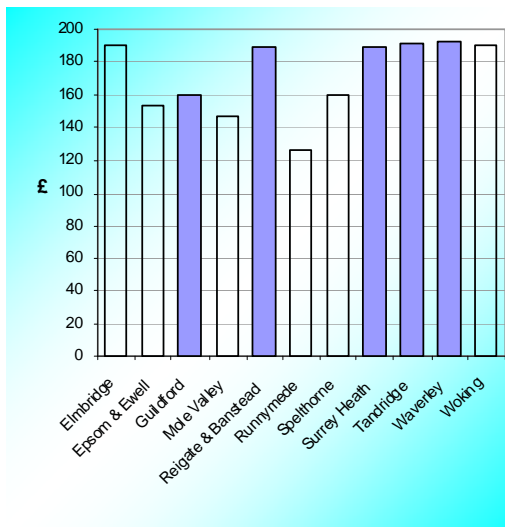
12.3 The change in the Band D Council Tax since Council Tax was introduced is depicted in the following chart.



13. CONCLUSION

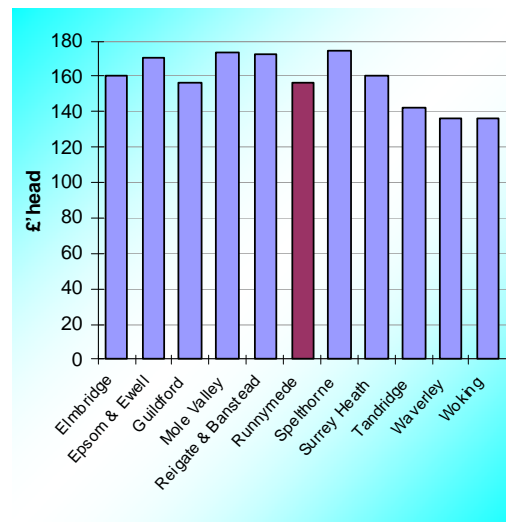
13.1 Runnymede's tax was the sixth lowest local tax in the country in 2008/09 (compared with the 238 shire district areas in England) while it continues to support a wide range of high quality services. The comparative position in Surrey is illustrated in the following charts.

District Council Tax at Band D in Surrey 2008/09



NB. Including average Parish charges.

Budgeted expenditure per head in 2008/09



Source: CIPFA Finance and General Statistics 2008/09

13.2 The projections in the five year Financial Forecast that were approved in October 2008 have been revised to take account of the latest inflation and interest rate assumptions (see paragraph 6.5). The forecast shown on page xv has been updated to take the 2009/10 Estimates as its base.

13.3 Runnymede's element of the Council Tax is too low to support the present level of spending on services. Only the large withdrawals from balances allow the current spending on services to be supported. The Government's cap on tax increases, which has been assumed will be exercised on increases above 5%, means that there is no prospect of tax revenues bridging this gap alone.

- 13.4 The current economic climate increases the financial and operational risks to which the Council is exposed. Income from fees and charges is falling and the prospects for inflation and interest rates are uncertain. There is no consensus amongst market analysts about the depth of the current recession and the timing of any economic recovery. What does appear certain is that there will be increasing demands on some Council services like housing advice and support for the homeless.
- 13.5 These risks and the associated uncertainty add to the challenge of balancing income and expenditure over the medium term. There is a potential risk that the Council's financial position will deteriorate and this underlines the importance of monitoring budgets carefully, minimising additional spending commitments, creating efficiencies and preserving capital and revenue reserves. Delivering the latest revenue reductions is an immediate priority but the financial forecast suggests that more will be required within the next three years to produce a sustainable budget.
- 13.6 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 2009/10 estimates are set out on pages xx to xxiii. Subject to the risks discussed in this report, I am satisfied that the detailed preparation of each service budget reflects the Council's corporate strategies and 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 2009*

GENERAL FUND REVENUE ACCOUNT FORECAST SUMMARY

	ACTUAL 2007/08 £'000	ORIGINAL 2008/09 £'000	PROBABLE 2008/09 £'000	BUDGET 2009/10 £'000	FORECAST 2010/11 £'000	FORECAST 2011/12 £'000	FORECAST 2012/13 £'000	FORECAST 2013/14 £'000	NOTES
1. <u>Service Expenditure</u>									
2. Housing Services	975	1,326	1,441	1,354	1,351	1,358	1,321	1,321	
3. Community Services	2,149	1,665	1,898	1,889	1,877	1,862	1,862	1,862	
4. Leisure Services	3,382	3,472	3,608	3,506	3,508	3,498	3,468	3,468	
5. Environmental Services	3,016	3,277	3,654	3,623	3,808	3,767	3,733	3,733	
6. Licensing & Regulatory	87	122	128	126	126	126	126	126	
7. Planning Services	1,194	1,463	1,731	1,859	1,664	1,462	1,462	1,462	
8. Highways and Infrastructure	495	649	698	639	639	639	639	639	
9. Economic Development	-1	107	768	366	184	49	-31	-31	
10. Corporate & Business Services	3,454	3,861	3,628	3,518	3,453	3,428	3,375	3,305	
11. Capitalisation of Building Works	-227	-285	-345	-143	-143	-143	-143	-143	
12. Net Expenditure on Services	14,524	15,657	17,209	16,737	16,467	16,046	15,812	15,742	
13. Asset Management Revenue Account									
14. - Transfer to Replacement Reserve:	337	314	314	314	324	324	324	324	£10k added for car park machines
15. - Reversal of Capital Charges	-3,275	-3,970	-4,349	-4,320	-4,320	-4,320	-4,320	-4,320	
16. Transfer from DSO Reserves	-139								
17. Investment Income	-1,334	-1,200	-1,300	-800	-600	-1,000	-800	-700	4% in 2009/10; 3.5% in 2010/11; 5% thereafter
18. Performance Reward Grant	-110								
19. LA Business Growth Incentive Grant	-560				-50				Grant to distribute growth in business rate income
20. Area Based Grant			-23	-23	-23	-23	-23	-23	
21. Inflation			-		360	780	1,400	2,070	at 2% to 2011/12; 3% thereafter
22. Inflationary increase in income					-120	-240	-360	-480	at 3%
23. Net General Fund Expenditure	9,443	10,801	11,851	11,908	12,038	11,567	12,033	12,613	
24. Use of Working Balance	-227	-1,284	-2,334	-2,069	-1,784	-910	-962	-1,100	
25. Budget Requirement	9,216	9,517	9,517	9,839	10,254	10,657	11,071	11,513	
26. Formula Grant	-5,217	-5,365	-5,365	-5,482	-5,620	-5,760	-5,900	-6,050	Government grant and Business Rates
27. Transfer to the Collection Fund		46	46	32					RBC share of the Collection Fund deficit
28. Net Demand	3,999	4,198	4,198	4,389	4,634	4,897	5,171	5,463	
29. Council Tax	£120.79	£126.81	£126.81	£132.93	£139.59	£146.61	£153.90	£161.64	
30. Increase in Council Tax				4.83%	5.00%	5.00%	5.00%	5.00%	
31. Increase in budget requirement				3.38%	4.22%	3.93%	3.88%	3.99%	
32. Working Balances at year end	7,701		5,758	3,906	2,406	1,897	1,220	405	See page xvi

FORECAST REVENUE RESERVES AND CAPITAL RECEIPTS

	General Fund Revenue Reserves			Usable Capital Receipts	Balances Bearing Interest for General Fund	Housing Revenue Account	GRAND TOTAL
	Earmarked Reserves	Unallocated Balances	Total				
	£000	£000	£000				
2008/09							
Brought Forward 1.4.2008	936	7,701	8,637	6,755	15,392	2,787	18,179
Capital Receipts (received)				2,435	2,435		2,435
Spent during the year	-391	391		-7,454	-7,454		-7,454
Other movements	316	-2,334	-2,018		-2,018	-151	-2,169
	861	5,758	6,619	1,736	8,355	2,636	10,991
2009/10							
Brought Forward 1.4.2009	861	5,758	6,619	1,736	8,355	2,636	10,991
Capital Receipts (received)				1,719	1,719		1,719
Spent during the year	-217	217		-3,071	-3,071		-3,071
Other movements	315	-2,069	-1,754		-1,754	-186	-1,940
	959	3,906	4,865	384	5,249	2,450	7,699
2010/11							
Brought Forward 1.4.2010	959	3,906	4,865	384	5,249	2,450	7,699
Capital Receipts (received)				9,179	9,179		9,179
Spent during the year	-284	284		-2,965	-2,965		-2,965
Other movements	324	-1,784	-1,460		-1,460	-47	-1,507
	999	2,406	3,405	6,598	10,003	2,403	12,406
2011/12							
Brought Forward 1.4.2011	999	2,406	3,405	6,598	10,003	2,403	12,406
Capital Receipts (received)				2,436	2,436		2,436
Spent during the year	-401	401		-4,174	-4,174		-4,174
Other movements	324	-910	-586		-586	-314	-900
	922	1,897	2,819	4,860	7,679	2,089	9,768
2012/13							
Brought Forward 1.4.2012	922	1,897	2,819	4,860	7,679	2,089	9,768
Capital Receipts (received)				429	429		429
Spent during the year	-285	285		-2,650	-2,650		-2,650
Other movements	324	-962	-638		-638	-221	-859
	961	1,220	2,181	2,639	4,820	1,868	6,688
2013/14							
Brought Forward 1.4.2012	961	1,220	2,181	2,639	4,820	1,868	6,688
Capital Receipts (received)				429	429		429
Spent during the year	-285	285		-2,900	-2,900		-2,900
Other movements	324	-1,100	-776		-776	-254	-1,030
	1,000	405	1,405	168	1,573	1,614	3,187

CALCULATION OF THE COUNCIL'S TAX BASE FOR 2009/10

1. 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 33,338 dwellings that appear on the Listing Officer's valuation list as at 18th September 2008. 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 2009/10. These are:-
 - a) An estimate of the full year effect of new dwellings being added to the list. The estimate of 143 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 167 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 1,337 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. A further 195 dwellings have been added to this total to reflect the additional student discounts that were on the list in May, giving a more representative figure for the year as a whole.
- 3.3 The next stage in the calculation is to take account of the discounts to which people will be entitled:-
 - i) 10,440 dwellings have only a single adult resident. These people will have their bills discounted by 25%.
 - ii) 46 dwellings attract a 50% discount because the adult residents are disregarded for Council Tax purposes.
 - iii) There are 226 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%.
 - iv) The Council exercised its discretion to grant no discount to long-term empty homes with effect from 1 April 2005. This means that the 351 dwellings in this category are liable for 100% of the Council Tax.
 - iv) The remaining 20,886 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:-

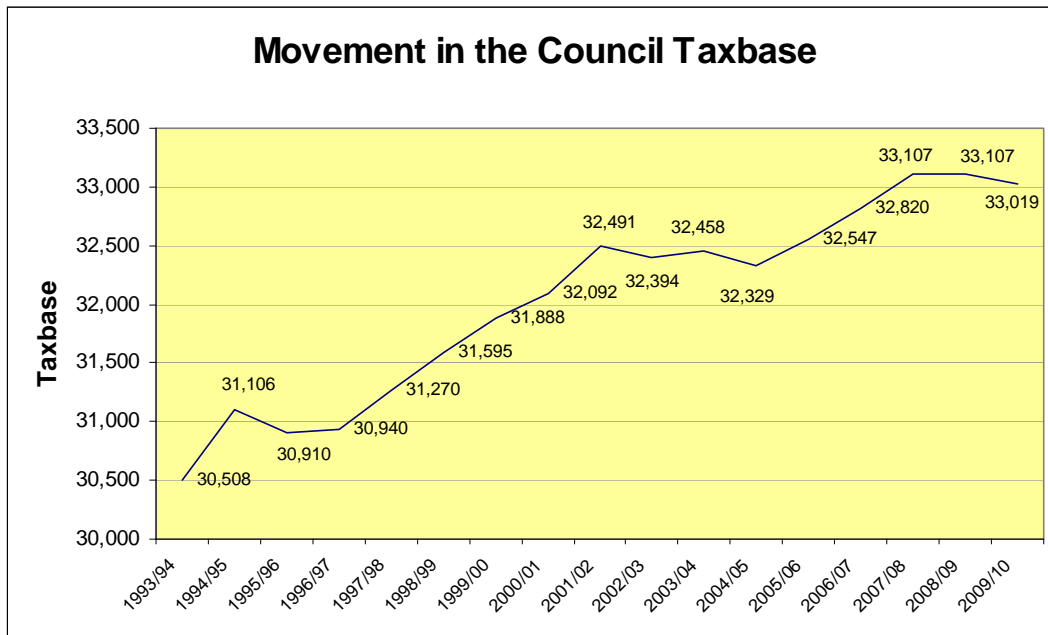
Band	A disabled	A	B	C	D	E	F	G	H
Proportion	5/9ths	6/9ths	7/9ths	8/9ths	9/9ths	11/9ths	13/9ths	15/9ths	18/9ths

3.5 Allowance needs to be made for voids and non collection. Non-collection amounts to less than ½ per cent but the total allowance has been maintained at 98 per cent for 2009/10 to allow for void properties. Using a rate of 98% produces a total of 32,978.77 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 40.3. 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 33,019.

4. Comparison with previous years

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



COUNCIL TAX BASE CALCULATION 2009/10

	PROPERTY BANDS									Total
	A (disabled)	A	B	C	D	E	F	G	H	
Number sent by the Listing Officer	0	1,455	1,248	5,870	10,667	6,499	3,757	2,859	983	33,338
ADJUSTMENTS										
(a) Full year effect of new dwellings added to the list		1	2	81	24	6	13	8	8	143
(b) Disabled reductions - banding reduced by one band	1	-1	-1	-10	-45	-44	-29	-31	-6	-167
(c) Demolitions / Removed from the list	0	0	0	0	0	0	0	0	0	0
(d) Exemptions	0	-79	-52	-246	-541	-221	-87	-57	-54	-1,337
- October 2008		0	-6	-35	-108	-34	-12	0	0	-195
- increased to equate Class N with May										
Estimated chargeable dwellings	1	1,377	1,201	5,705	10,041	6,235	3,673	2,785	931	31,949
Number of dwellings										
- entitled to a 25% discount	0	689	755	2,974	3,311	1,507	701	415	88	10,440
- entitled to a 50% discount	0	0	0	1	7	5	15	15	3	46
- where the Council has exercised a discretion										
- second homes discounts @ 10%	0	35	8	36	42	27	10	22	46	226
- empty homes discounts @ 0%	0	24	13	74	106	49	26	30	29	351
- other dwellings with 100% liability	1	629	425	2,620	6,575	4,647	2,921	2,303	765	20,886
Equivalent number of dwellings	1.00	1,201.25	1,011.45	4,957.40	9,205.55	5,853.05	3,489.25	2,671.55	902.90	29,293.40
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	0.60	800.80	786.70	4,406.60	9,205.60	7,153.70	5,040.00	4,452.60	1,805.80	33,652.40
Allowance for voids & non collection (98.00%	0.59	784.78	770.97	4,318.47	9,021.49	7,010.63	4,939.20	4,363.55	1,769.68	32,978.77
ADD Contributions in lieu for MOD property										40.30
Tax base										33,019.07

BUDGET ASSUMPTIONS 2009/10

1. Format of estimates

The Budget Book shows the detailed financial estimates for each service area or activity, and information on service levels and policy aspirations. The aim is to allow Members and other readers to compare the level of the budget to a range of qualitative and quantitative output measures.

2. Financial strategy

The Council approved the Financial Forecast in December 2008. The Forecast is a key financial planning tool and it sets out our medium term financial strategy. It includes the programme for achieving savings targets and the financial impact of other anticipated changes in budgetary provision at service level.

Runnymede Borough Council faces considerable financial challenges over the next few years. The Forecast sets out proposals to bring expenditure and income into balance over the medium term. The Council also approved the 'phase 3' revenue reductions at the December 2008 meeting. The reductions have been included in the draft estimates as appropriate.

These estimates include only those revenue reductions that are to be delivered in 2009/10. Also, as a step to create additional savings, budgets have been cash limited wherever possible. This creates an incentive for managers to work creatively within tighter budgets without placing undeliverable burdens on existing service levels. However, where budgets have already been reduced by approved spending initiatives, it may not be possible to achieve any further incremental reductions.

3. Comparative statistics

The Audit Commission encourages local authorities to look at how costs compare to others as a starting point in value for money assessments. This analysis should not be an over complicated process that seeks perfect comparisons but a high-level exercise taking an overview of service costs. For this reason, a series of high-level cost comparisons have been included in the draft estimates that compare Runnymede to the other Surrey district councils.

These comparisons are based on original estimates and are taken from the "*General Fund Revenue Accounts Return*" that all authorities have to complete and submit to the DCLG. During 2009 Officers will attempt to identify reasons for variations – these could be influenced by service quality, quantity or error in completing the Return – in order to better inform judgement about value for money.

4. 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 capital charges in the budgets include

- a. Depreciation, and
- b. A notional interest charge to represent the cost of capital tied up in a service

It should be noted that a notional interest charge is not a generally accepted accounting practice for financial reporting purposes and therefore has to be "reversed out" when we report performance in our Financial Statements. However, notional interest remains a valid management accounting tool and we have decided to continue using it in our estimates in order that the full cost of capital can be recognised. The net impact on council tax of these accounting charges is neutral because a corresponding credit for all capital charges is made in the General Fund Summary statement.

5. Staff costs: Pay assumptions and pension contributions

The estimates in the service budgets for 2009/10 assume a local inflationary pay increase of 3.0% effective from July 2009. Allowance has also been made in the estimates for staff progression through the pay scales awarded via the performance related pay scheme. However, the global provision for the July 2009 salary award has now been set at 2%.

The salary and wages allocations to services for 2009/10 draft estimates are based on employer pension contributions of 16.3% of pensionable pay. This is the employer contribution rate that the scheme actuary determined for 2008/09, 2009/10 and 2010/11. The rate for 2007/08 was 12.5% of pensionable pay. The notification of the new employer rate was received after the detailed staffing estimates for 2008/09 had been prepared, and a global adjustment was created in the estimates of the Corporate Management Committee. Therefore, the original 2008/09 salary estimates in services use the old 12.5% rate. To reflect this change as soon as possible, the revised estimates include the cost of employer pension contributions at the new rate. The global provision has been adjusted accordingly.

6. Strategic maintenance programme

The first five-year programme of repairs, planned maintenance and improvement works to the corporate property portfolio commenced in April 2003. The second five-year programme should have commenced in April 2008. However, subject to a potential partnering project with Spelthorne BC and a successful tendering process, the second programme will not now commence until April 2010. The report made to the Economic Development Committee on 6 November 2008 explains the current strategy for this programme.

The programme is financed 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 is made in the General Fund Summary Revenue Account to account for the proportion financed from capital resources.

7. New Civic Centre

The running cost of the new Civic Centre is greater than the old civic offices, in particular, because of the increase in business rates and the capital charge. There will inevitably be some degree of volatility in running costs during the early period of occupation of the new offices as experience is gained of working arrangements and other requirements. The main costing assumptions used for move to the new Civic Centre are:

- Capital charges: The charge for the new offices is based on the estimated full cost of building and the value of the land. A charge for the old civic office site will be made until such time as the site is sold (assumed as June 2009).
- Old offices: The budget includes the residual cost of the building until the date of sale.
- Allocation of costs to services: The layout of the new offices translates into significant changes in charges made to individual services. The residual running costs for the vacant old civic offices are not allocated to services.

8. Customer services (Front of House)

The costing arrangements for the service arrangements for Customer Services are:

- Receptionists: These were previously costed to the civic offices budget. They are now included in the Customer Services budget.
- Transferred and additional staff resources are recognised in this budget.
- Information technology: A provision for the estimated cost of the proposed "customer relationship management" system is included in the draft estimates.
- Allocation of costs to services: These are based on estimated usage i.e. the numbers of telephone and personal callers routed through front of house services. These allocations will become more accurate as data of actual usage is gained.

The budget for front of house services is included with the other control and establishment budgets held by the Corporate Management Committee.

9. Procurement services

This costing of this function reflects the decision to replace the central stores function with a central procurement section. From 2008/09, the cost of the procurement service includes the management of the "business centres" in the new Civic Centre. This will increase the recharges of procurement costs to services accordingly.

10. Inflation assumptions

An important element of our forecasting and budget setting is estimating the impact of inflation. The following table shows inflation indices over the past years:

Year to:	Retail Price Index	Average Earnings
	%	%
March 2004	2.6	4.6
March 2005	3.2	4.3
March 2006	2.6	4.5
March 2007	4.5	3.5
March 2008	4.2	4.5

The Retail Price Index for September 2008 indicated annual inflation of 5%, or 5.2% for the Consumer Prices Index (CPI) inflation measure. By December 2008, the indices were 0.9% for the RPI and 3.1% for the CPI.

The following general assumptions have been made in the detailed preparation of estimates for 2009/10:

Salaries (from 1 July 2009)	2.0% (note: 3.0% used in preparing service budgets)
Wages	3.0% from the appropriate pay review date
Business Rates	5.0%
Other expenses	3.0% or lower if appropriate
Contracted services	3.0%

The outlook for inflation remains uncertain. The Bank of England Quarterly Inflation Report published in November 2008 predicts that inflation (using the Consumer Prices Index) will fall sharply from its September level of 5.2% as domestic energy and food price inflation declines, driven by the large falls in commodity prices. The precise speed with which overall inflation declines also depends on the extent to which the lower level of sterling is passed through into higher prices. But in their central projection, inflation reaches the 2% government target in the second half of 2009 and then moves materially below the target. The Bank of England urges caution in interpreting their figures. However, it seems probable that general inflation will now fall under the 3% assumption for 2009/10 included in these estimates.

11. Capital charges and investment income

Assets valued at:	<u>2008/09</u>	<u>2009/10</u>
Historic cost (e.g. infrastructure assets, community assets)	4.70%	4.70%
Current cost (e.g. operational assets, investment properties)	3.50%	3.50%
	<u>2008/09</u>	<u>2009/10</u>
Investment interest – average rates	6.00%	4.00%

12. Income

Income from fees and charges is based on estimated demand and the tariff set out in the fees and charges schedule.

The Chancellor announced a reduction in the standard rate of VAT to 15% for the period 1 December 2008 to 1 January 2010. Where possible, our schedules of fees and charges were revised to reflect the new standard rate of VAT. Only standard-rated sales are affected. There are no changes to sales that are zero-rated or reduced-rated for VAT. Similarly, there are no changes to the VAT exemptions.

13. 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. The following table shows the categories used in the Budget Book and the basis upon which each support service has been allocated.

Category	Element of service	Basis of allocation
Financial Services	Financial advice	Time allocations
	Income and expenditure accounting	Number of cost codes
	Budgeting and final accounts	Turnover
	Cash collection and accounting	Number and type of transactions
	Payroll services	Number of employees
	Payments to creditors	Invoices processed
	Debtors accounting and collection	Number of bills
Information Technology	Computing services	Estimated usage / Number of terminals / Time allocations
	Document management	Estimated usage
	Post Room Management	Estimated and potential usage
	Runnymede On-line	Estimated usage/No. of terminals
Personnel services	Personnel services	Number of employees
Office accommodation	New Civic Offices	Area occupied
Customer Services	Customer Services	Estimated usage
Legal & Administration	Legal, Administration, Valuation, Committee sections	Estimated time spent by staff
Technical support services	Building and engineering services	Time allocations
	Administration section	Time allocations
	Geographical Information Service	Estimated usage
	Safer Runnymede	Time allocations & No. of cameras
	Procurement services	Estimated usage
Depot Recharge	Chertsey Depot	Area occupied
Runnymede Direct Services		Estimated usage
Other managerial and professional services		Estimated time spent by staff