

Cabinet

21 February 2018



Title	Detailed Revenue Budget for 2018/19		
Purpose of the report	To make a recommendation to Council		
Report Author	Laurence Woolven (Chief Accountant)		
Cabinet Member	Councillor Howard Williams	Confidential	No
Corporate Priority	Financial Sustainability		
Reason for Recommendation	The Authority is required to set a balanced budget and a Council tax rate for the financial year 2018/19.		
Recommendations	<p>The cabinet is asked to recommend that Council consider and approves :</p> <ol style="list-style-type: none">1. Participating in the Surrey wide 2018/19 Business Rates Retention pilot scheme.2. Continuing the Council's Local Council Tax Support Scheme with the current rules and regulations.3. Continuing the complete disregard of war pension /armed forces pension income from benefit calculations.4. The growth and savings items as set out in the report's appendices.5. The Council Tax Base for the whole council area for 2018-19. [Item T in the formula in Section 31b(3) of the local government Finance Act 1992, as amended (the "act")] should be 39,280.00 band D equivalent dwellings and, 2.1 Calculate that the Council Tax requirement for the Council's own purpose for 2018-2019 is £197.44 Per Band D equivalent dwelling.6. To approve a £5 or 2.6% increase on Band D in the Spelthorne Borough Council element of the Council Tax for 2018-19. Moreover:<ol style="list-style-type: none">a) The revenue estimates as set out in Appendix 1 be approved.b) No Money, as set out in this report is appropriated from General Reserves in support of Spelthorne's local Council tax for 2018/19.c) To agree that the Council Tax base for the year 2018/19 is 39,280.00 band D equivalent dwellings calculated in accordance with regulation 3 of the Local Authorities (Calculation of Council tax base) Regulations 1992, as		

amended, made under Section 35(5) of the Local Government Finance Act 1992.

That the following sums be now calculated by the Council for the year 2018/19 in accordance with Section 31 to 36 of the Local Government Act 1992.

A	87,047,100	Being the aggregate of the amount which the council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
B	79,291,700	Being the aggregate of the amount which the Council estimates for the items set out in Section 31A(3) of the Act
C	7,755,400	Being the amount at 3(c) above (Item R), all divided by Item T (2 above) calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its Council tax for the year (including Parish precepts)
D	197.44	Being the amount at 3(c) above (item R), all divided by item T(2 above) calculated by the Council in accordance with Section 31B(1) of the act, as the basic amount of its Council Tax for

		the year(including Parish precepts)
E	0	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
F	197.44	Being the amount at 3(d) above less the result given by dividing the amount at 3 (e) above by Item T(2 above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings on those parts of its area to which no Parish precept relates.

That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011.

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
131.63	153.56	175.50	197.44	241.32	285.19	329.07	394.88

Being the amounts given by multiplying the amount at (e) above by the number which in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the sum which in that proportion is applicable to dwellings listed in valuation band 'D', calculated by the Council, in accordance with 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 band.

That it be noted that for the year 2018/19 Surrey County Council and Surrey Police and Crime Commissioner have

stated the following amounts in precepts issued to Spelthorne Borough Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:

Precepts issued to the Council

	A £	B £	C £	D £	E £	F £	G £	H £
Surrey County Council	940.86	1,097.67	1,254.48	1,411.29	1,724.91	2,038.53	2,352.15	2,822.58
Surrey Police & Crime Commissioner	157.71	184.00	210.28	236.57	289.14	341.71	394.28	473.14

That, having calculated the aggregate in each case above the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011, hereby sets the amounts as the amounts of Council tax for the year 2018/19.

The Council has determined that its relevant basic amount of Council Tax for 2018/19 is not excessive in accordance with the principles approved under Section 52ZB Local Government Finance Act 1992.

As the billing authority, the council has not been notified by a major precepting authority that its relevant basic amount of Council Tax for 2018/19 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK Local Government Finance Act 1992.

1. Key issues

- 1.1 The 2018/19 revenue budget shows a very positive picture in that a balanced budget has been put forward without the use of reserves, with investment being made in retaining staff, addressing resourcing issues in areas like Property, Management, Finance and Legal and also maintaining the Council's assets and making revenue contributions to Capital.
- 1.2 Appendix 1 summarises the current draft detailed Budget proposed for 2018-19. After allowing for Housing Benefit the gross budget is financed as follows,
 - Fees and Charges
 - Rental Income – Increasingly representing a greater proportion of the overall funding
 - General Revenue Grants (now consisting only of New Homes Bonus) & Retained Business Rates
 - Council Tax

Business Rates Retention Pilot

- 1.3 Spelthorne and the other Surrey authorities have been successful in their application to be a Business Rates Retention pilot in 2018/19. The scheme will enable Spelthorne to retain a larger proportion of the Business Rates collected and also receive ring fenced funding for Economic Development.

Grant Settlement

- 1.4 The Government grant settlement confirmed that Spelthorne would continue to receive no general grant support in 2018/19. The Settlement indicated that there will be a consultation exercise in spring of 2018 on the impact of implementing negative grant allocations in 2019/20. The Council will respond to that consultation.

Council Tax and Capping

- 1.5 It has been announced that the referendum limit has been increased to either 3% or a rise of £5 on Band D for shire districts and boroughs although counties and unitaries will be able to levy an additional 3% for adult social care and the police can increase by 3% or £12 on Band D. Therefore the Council will continue its current strategy of protecting services by growing its income stream and setting a moderate council tax increase of (£5 or 2.6%) which provides an additional £270k per annum whilst also being a below inflation increase.

Council Tax Support Scheme

- 1.6 The Council will continue the Local Council Tax Support scheme with the same rules and regulations as was agreed for the 2014/15 scheme. This was a 25% deduction made for working age claimants and a 10% deduction for working age claimants who we classified as disabled due to the benefits they receive. This is also taking into account any annual uprating of applicable amounts or premiums that is announced by central government for the following year.

War Widows

- 1.7 It is sensible to re-confirm the Council's position with respect to the complete disregard of war pension /armed forces pension income from benefit calculations. If the full amount is disregarded the cost of this measure falls on the local authority as only the first £10.00 is disregarded by central government. We have already agreed to do this for our council tax support scheme. We have always disregarded the full amount since the housing benefit scheme came into existence along with practically every other local authority and the cost to the authority in the last subsidy claim was £18,330. We intend to continue to make this disregard for 2018-19.

Basis of preparation of Detailed Budget

- 1.8 Service levels – the estimates have been prepared on the basis of maintaining existing service levels except where variations have been approved by the Cabinet and or the Council. Members should be aware that considerable work has been undertaken to reduce the list of growth proposals down to just the absolute essentials.

Pay and price levels – the estimates have been prepared with regard to the provisional national employers offer which is proposing a headline increase of 2% for 2018/19 and 2019/20, subject to affordability the Council will see if it can improve slightly on the national headline 2%.

Inflation has been included in respect of contracts where appropriate.

Pensions

- 1.9 Following the triennial valuation of the Surrey Local Government Pension Fund as at the 31st March 2016, it is necessary for employers to increase their lump sum employer contributions to cover an increase in the deficit relating to benefits earned by scheme members as a result of service up to 31st March 2016 known as past service deficit contributions. For 2018/19 these contributions will rise by £50k. This a more moderate rate of increase than under the previous three years.

Fees and charges

- 1.10 All fees and charges have been reviewed. See separate report on the agenda.

Income Generation

- 1.11 The budget forecasts have reflected the performance of the Council's income over the last two years during which time income levels have held up despite the general economic pressures. The Council has been mindful of the impact on the local economy of raising car parking fees and kept increases in this area to a minimum.
- 1.12 The Council has continued to progress its programme of acquiring sound commercial assets which will deliver robust long term ongoing income streams to support the provision of services. Such acquisitions are only made after extensive due diligence and risk analysis. The 2018/19 Budget is being supported by an additional full year net income of £7.5m from commercial assets acquired since 2016.

Contingencies

- 1.13 No provision has been made for any general contingencies. The General fund reserve exists as a source of contingency funds should a need arise which can be addressed through offsetting savings.

Interest Rates

- 1.14 The Council at present has benefited from several years of above average investment returns through a diversified range of pooled investment funds. The return on these funds is 3.85% as at December 2017 which is a very good rate of return when compared to base rate of 0.25-0.50%.
- 1.15 Returns on maturing cash deposits are currently within the range of 0.24% to 0.35% and the average overall return on investments is expected to be around 2.3%.

Investment Income

- 1.16 The Cabinet has separately received on the January meeting agenda the Annual Investment Strategy and Treasury Management Report for 2018/19 indicating the current position in respect of interest rates and the proposed strategy for dealing with the lower levels of interest rates and the reduction of investment monies.
- 1.17 Leading market forecasters, including Arlingclose, the Council's treasury advisors, expect the base rate to remain at 0.5% until at least the 1st quarter of calendar year 2019.

Use of Reserves

- 1.18 The change in the financial sustainability of the authority as a result of the recent investment property purchases means that for the year 2018/19, the authority will not need to draw on its Reserves in order to balance the budget. The income from these acquisitions has enabled the authority to provide a revenue contribution to help finance the capital programme as well as setting up sinking funds to cover the Council in the event of unexpected income loss.

Growth Items

- 1.19 Appendix 2 summarises the main budget growth and unavoidable expenditure pressures. This highlights that additional spending pressures or reduced income streams totalling £3.9m have been identified.
- 1.20 The evaluation of growth bids received from services have been evaluated using a number of criteria including
 - Whether there is an invest to generate future income aspect
 - Whether there is an invest to achieve future savings
 - Whether it is necessary to meet statutory obligations
 - Whether it is necessary for operational reasons
 - The extent to which it supports corporate priorities
- 1.21 There are a number of areas of new or increased expenditure items included in the 2018/19 budget and some of these are highlighted below:
 - Additional resources to meet Homelessness Act
 - Additional costs due to reduced Surrey County Council funding

- Phased impact of Universal Credit
- Additional resources to meet asset acquisition requirements (funded from set aside rental income)
- Expenditure on Economic Development (funded from ring fenced Business Rates income)

Savings / Additional Income

- 1.22 In total savings/additional income of approximately £5.6m have been found. These include increased rental streams, bringing back in house the Grounds Maintenance work and a one off saving of Elmsleigh lift repair dropping out. These savings are necessary to offset the reduced general government grant and the additional pressures identified in appendix 2. All savings proposals have been incorporated into the budget estimates.
- 1.23 The salary savings target for 2018/19 will remain the same at £300k.

Precepts

- 1.21 Surrey County Council at its meeting on the 6th February set a Band D council tax of £1,411.29 representing a 5.99% increase and Surrey Police at its tax setting meeting on the 5th February set a band D council tax of £236.57 representing a £12 increase.

2. Options analysis and proposal

- 2.1 The Council is required to set a balanced budget and in the light of the detailed budget prepared, a council tax increase of £5 which is equivalent to 2.6 % is recommended.

3. Financial implications

- 3.1 Addressed in the body of the report.

4. Other considerations

- 4.1 Robustness of estimates the Local Government Act 2003 requires me, as the Council's Chief Financial Officer, to report on the robustness of the estimates made for the purposes of calculating the council tax. I am satisfied that each service budget has been prepared in the context of the council's corporate strategies, and longer term financial strategy which means that the Council is presented with robust estimates as a basis for making decisions about the level of council tax.
- 4.2 The nature and size of our revenue budget carries a degree of risk, this is particularly the case in the current economic climate.
- 4.3 Reserves and provisions – the local Government Act 2003 requires me to report on the adequacy of the council's financial reserves when consideration is given to the general fund budget requirement for the year. Under the local government finance act 1988, all revenue balances held by the council are at

the direct disposal of the general fund with the exception of the collection fund and the investment reserve. However a number of these balances are earmarked specifically for social housing and the new scheme fund. Taken together with the council's financial strategy to reduce the reliance on revenues to support the council tax, I consider that the reserves and provisions will ensure that the council maintains a reasonably healthy financial position.

4.4 Officers are undertaking an equalities impact assessment of the budget proposals. In particular a detailed equalities impact assessment was undertaken for the proposed Local Council Tax Support Scheme.

4.5 The budget has a number of risks and these are set out below:

Outside control	Internally based
Interest rates	Failure to sufficiently resource delivery of key asset income generation projects
Severe public sector spending cuts	Collection of retained business rates
Volatility of BREXIT	Reliance on interest earnings to balance the budget
Economic downturn impacting on commercial tenants	Ability to deliver Towards a Sustainable Future objectives in accordance with planned timetable
Staines town centre rents	
Down turn in property development market	
Increased Gate fees for disposing of waste materials	
Impact of budget pressures on Surrey County Council and other public sector entities.	
Housing benefit subsidy/welfare reform.	

The risks are that the level of savings anticipated do not materialise or that there are additional spending pressures. These will be mitigated by ensuring proposals have been properly evaluated before being built into the final budget for example clarifying any contractual assumptions, and thereafter through careful budget monitoring.

5. Timetable for implementation

5.1 Full Council to approve the Budget on 22 February 2018.

Background papers: None

Appendices: 1 & 2