

Appendix A

Councillor Ian Harvey and Councillor Williams COUNCIL TAX SPEECH 2018

Clr Harvey

Madam Mayor – I am pleased and honoured to present on behalf of this Conservative administration the Budget Report for the Municipal Year 2018-19, which, as a result of our continuing success in generating commercial income to support services, is delivering a balanced budget without the use of reserves, putting our capital financing on a more sustainable basis and limiting our council tax rise **to a below inflation increase and without making any service cuts**. We continue to focus on investing in our staff, assets and services to ensure we can deliver the high- quality services our residents and businesses deserve.

As pulling together the Budget is a team effort involving both officers and Cabinet members I would like, with your permission Madam Mayor, to ask our Finance Portfolio Holder to present the detailed financial elements of the speech shortly.

Along with Councillor Williams, my aim is to give Members an understanding of the context we have been operating in, our approach to this new budget, and the achievements in this second year of my office as your Leader.

During the last twelve months, this Conservative Administration and senior officers have continued to build on the achievements of the previous year when we acquired the BP International Campus, a ground breaking transaction for local government, by further expanding our commercial property portfolio to generate a significant sustainable current and future income stream for the Council. Our commercial property portfolio value now exceeds £700m and is generating an ongoing net revenue contribution of seven and half million pounds per annum to support the provision of services. This has offset the very substantial loss of grant income from central government and other funding cuts, and has enabled us to address the impact of new service delivery challenges such as the Homelessness

Reduction Act, taking effect this April, and to address organisational resilience issues.

During 2017-18, we acquired 3 Roundwood Avenue, at Stockley Park, the World Business Centre 4 at Heathrow and 12 Hammersmith Grove. These are all high quality commercial assets with unexpired leases of at least 10 years. As has been explained to Councillors at Overview and Scrutiny Committee, these acquisitions have been underpinned by extensive due diligence and scenario modelling. Additionally we acquired Benwell House in Sunbury-on-Thames for conversion to residential occupation which increases our housing supply and provides a long term income to the Council. More recently we acquired the White House site next to our depot for housing development. In December following work with the Finance Portfolio holder and officers, the Council approved its Commercial Property Strategic Parameters, setting out clear criteria for making acquisitions. I commend any Member who has not yet read this to do so.

I know some people find it difficult to get their heads around the figures and how we can afford to borrow so much money and why we are doing so.

Firstly, we can fix long term loans at extremely low rates of interest by borrowing from the Public Works Loan Board. Secondly, we are making very careful investments which will deliver income that more than covers interest, principal repayments and supervision costs. We are borrowing to acquire such assets in order to deliver long-term robust income streams which can be used to continue to support the provision of services.

These acquisitions mean that we are able to put forward a balanced budget, strengthening our resources and service delivery capacity even though 2018-19 will be the second year in which this Council will receive no general Revenue Support Grant from the Government, had a 37% (574 thousand pounds) cut in our New Homes Bonus Grant, with reduced funding from Surrey County Council for recycling and Independent Living support. I am pleased to say that, for the second year running, **we are putting forward a balanced budget without any use of reserves. Indeed we are adding £1.7m to reserves which contribute to our commercial assets sinking funds. So I echo my apologies from my speech a year ago to my**

colleagues across the Chamber for continuing to giving them one less angle with which to respond to this speech!

I mentioned Housing with respect to Benwell House and the White House. I am pleased to say that having invested in appropriate resources and skills within our Property and Development Unit we are now making good progress in delivering housing schemes on the Churchill, Bugle and Benwell sites, with the first two of these expected to be completed by the end of this year. Construction work on these sites is underway. This will result in additional housing supply for the Borough and ongoing income for the Council.

Not only are we putting our revenue budget on a sustainable basis, we are also putting the funding of our Capital Programme on to a more sustainable footing after decades of relying on spending capital receipts. **No more!** We are ensuring that capital spending (for example IT equipment), which is not funded by specific grants and which does not generate future income streams (such as future housing rental streams) or cashable savings, will be

funded from revenue contributions to capital. In this budget there is a seven hundred and forty seven thousand pounds revenue contribution towards Capital.

In contrast to our position of continuing to maintain our budget on a sustainable basis, Surrey County Council faces very significant financial pressures and is balancing its 2018-19 budget by a combination of £67m of service reductions, use of reserves and additional income from business rates. This has had a knock-on adverse impact on the Surrey districts and boroughs. In 2018-19 Surrey County Council cuts have added four hundred thousand pounds to our budget liability, taking into account previous years impacts the total is already more than half a million per annum and this figure will increase further in future years.

We have not only managed to avoid any frontline service reductions, but we are investing in staff, assets, and addressing frontline service pressure areas. In fact the budget contains two and half million pounds of underlying growth (excluding economic initiatives funded from additional retained business rates). The main areas of investment in this budget relate to

Staffing, Assets and Housing which I will now say a bit more about before describing the context of the Budget:

Staffing –

We need to retain skilled and dedicated staff in order to deliver our services to our residents. In recent years we have lost staff even to smaller neighbouring councils in a number of professional services. To tackle this, this Administration is committed to trying to nudge the total pay offer above the final national employers' settlement, the extent to which this is possible will depend on how much the final national offer moves. We have built in provision to cover up to 2.5%, the cost of this is three hundred thousand pounds. In order to enable the Council to more flexibly respond to its recruitment and retention pressures consideration is being given to moving the Council back to a Local Pay negotiation regime which will enable us to become a little bit more competitive and able to respond flexibly to local pressures and reward staff. The process is complex and would involve consultation with staff and the unions.

We are investing additional budget to strengthen our skills and resources in our Human Resources, Housing, Finance, Legal and Property teams. The latter three areas will be funded from revenue set aside from our commercial income and will, in turn, help us to grasp further opportunities to acquire appropriate income-generating assets.

Assets. I am also keen to look after our existing assets so we are building in an additional five hundred thousand pounds into the planned asset management budget to address decades' worth of under-investment in the maintenance of our assets. This is on top of the extra £two hundred and fifty thousand pounds built into the 2017-18 budget. This means next year the planned maintenance budget will be £seven hundred and fifty thousand pounds higher than it was in 2016-17.

Housing – we are building in an additional budget of nearly four hundred and fifty thousand pounds to ensure that we are able to resource statutory changes. We also have to absorb the anticipated loss of three hundred thousand pounds income as a result of the roll out of Universal Credit which

will impact this borough from November 2018. In total there is seven hundred and fifty thousand pounds growth in the budget relating to housing.

Despite generating an additional rental income since 2016-17 of approximately seven and half million pounds per annum and delivering staffing efficiencies, we continue to face the primary challenge of ensuring the Council's financial viability. The options open to us are maximising value from assets, generating new income streams and delivering services in new and more efficient ways. My Administration will continue to pursue these activities in a business-like manner. As part of this we have recruited staff with strong commercial skills and experience and are building up a Property Development Unit appropriate to support a property portfolio worth more than seven hundred million pounds and an ambitious housing development programme.

We have made a key strategic investment in Staines-upon-Thames next to our existing Bridge Street site and will in due course be bringing forward proposals for the site which will enhance the town.

I would now like to pass over to Cllr Howard Williams, our Portfolio Holder for Finance, who will explain the finer details of this proposed Budget for 2018-19

Clr Williams

Like most of the UK public sector and particularly local government, this Council is facing a challenging financial future. 2018-19 will be the second year we do not receive **any** revenue support grant. And, in fact, the following year – 2019-2020 - we face the possibility of Spelthorne having to pay the Government a grant of seven hundred and fifty thousand pounds To put this into context: we used to receive two and half million pounds per annum from this grant, so this represents a real-terms cut of three and quarter million pounds in grant funding from central government since 2013-14. The New Homes Bonus Grant has been reduced nationally with a reduction of five hundred thousand pounds in 2018-19 to our allocation. We anticipate this will continue to fall each year for the next three years. In the last two years we have started to experience adverse knock-on impacts from Surrey County's financial difficulties including reductions in funding from County for independent living services and reductions in our recycling income. Current estimates put the cost of these cuts at more than five hundred thousand pounds per annum to Spelthorne in the next few years. Additionally of course we face inflation pressures which for some supplies

have been significant for the last year. These factors reinforce the need for us to continue to seek-out opportunities to generate additional ongoing income streams and deliver further service efficiencies over the next two years.

Just before Christmas last year, the Government announced further loosening of the controls over council tax increases. The previous limits of (the greater of) 2% or £5 per year on a Band D property have changed to 3% or £5 respectively. The Police and Crime Commissioners will now be allowed to increase Band D by up to £12. In our case a £5 increase equates to a 2.6% increase. We have given very careful consideration to the setting of this year's council tax. We know that household budgets are under pressure, with many finding that incomes are not keeping pace with inflation. We also know that residents do not want us to reduce or cut valuable services. And we need to bear in mind the need to prepare for negative grant payments from 2019-20 of seven hundred and fifty thousand pounds and to build resilience. We have decided to increase council tax for 2018-19 by an amount that is lower than the maximum increase allowed by

the Government. We will increase our council tax by 2.6% or £5 on a band D property. This is slightly less than the rate of inflation and less than half the increases in council tax being made by Surrey Police (5.3% or £12 on Band D) and Surrey County Council (5.99% or £79 on band D).

Our proposed increase on an average band D household is equivalent to an increase of £5 per annum or just under 10 pence extra per week. Coupled with the fact that Spelthorne retains just short of 11p in every £1 of council tax we collect on behalf of ourselves, the police and the County, we believe this demonstrates our commitment to keep our portion of the bill as low as we can whilst protecting local services.

Interest rates continue to remain at historically low levels and, with current economic uncertainties, are likely to continue at these levels for a while longer. The UK base-rate is currently just one half of one percent. In contrast, we earned an average of 4% on our core treasury management investments whilst maintaining a sensible and prudent approach to risk. Our investment strategy which we are continuing to shape and improve is

doing very well. An average rate of return of 4% is an excellent return compared to the 0.5% many councils continue to accept.

Spelthorne played an active role in the joint bid for the Surrey councils to become a pilot for retaining 100% of growth in business rates above a baseline set by the Government. Whilst the majority of business rates collected in Surrey will continue to flow out to support other parts of the country, an outflow of approximately £350 million, the Surrey councils will retain an additional £28m in 2018-19 to invest in Surrey. Unfortunately there is no guarantee that this arrangement will extend beyond one year.

Spelthorne will have a boost of approximately three hundred thousand pounds in business rates available to support the general budget in 2018-2019. We will also receive an estimated one million pounds of additional retained business rates which will be ring-fenced for investment in economic development initiatives. These will include setting up a business incubator to support small, local companies.

Madam Mayor - I would like now to return to the detail of our budget

and Council Tax proposals for 2018/19.

After excluding the £32 million of housing benefits which are fully funded from government grant, our gross service revenue expenditure will be £31million. Deducting nine million, six hundred thousand pounds of specific grants, fees and charges, results in a net service expenditure figure of £21 million. Once we take into account, gross commercial income of thirty one million, three hundred thousand pounds the contributions to sinking fund reserves of one million seven hundred thousand pounds and revenue contributions to capital seven hundred and fifty thousand pounds), our net expenditure next year is projected to be thirteen million pounds. New Homes Bonus of approximately nine hundred and fifty six thousand pounds and net retained business rates of approximately four million three hundred thousand pound produce external funding of around five million three hundred thousand pounds (of which £1million relates to business rates earmarked for economic development initiatives, such as the business incubator). This leaves seven million, seven hundred and fifty thousand pounds to be met from the Council Tax. Taking account of a collection fund

surplus of £48,100 and a tax base of 39,280 properties at Band D, will require a Band D Council Tax, of £197.44 per annum to be levied , for the Borough Council element of the bill.

There will be precepts from Surrey County Council and Surrey Police added to Council Tax. Both these organisations have also faced difficult decisions on council tax levels and, unlike Spelthorne, will be increasing their share of Council Tax by the maximum amount possible. Surrey Police will increase council tax by 5.3%. Under the new rules announced by the Government, county councils can levy an additional 3% Adult Social Care precept on top of the 3% general council tax limit, in order to raise additional funds towards the cost of adult social care. Due to its Adult Social Care pressures, Surrey County Council will be using these flexibilities to raise a 3% adult social care precept, and in response to its funding gap is looking to raise its general council tax element by 2.99%. This means the Surrey County Council Band D council tax will increase by 5.99% to £1,411.29 and Surrey Police by 5.3% to £236.57. To reiterate, Spelthorne's element of the Band D council tax will increase by 2.6% to £197.44. This makes the total Band D Council

tax £1,845.30 which is a 5.53% increase overall. The Borough increase as a percentage is less than half of the amounts increased by Surrey County Council and Surrey Police. This means the Borough Council share of the total Council Tax bill for residents drops even lower to just 10.7%.

Given the further financial pressures heading our way, with us having to pay grant to the Government from 2019-20, greater County cuts in future years, there is still more work to be done to ensure that we continue to stay on a strong sustainable financial footing. Therefore we are already starting to prepare for a borough wide consultation exercise on budget priorities for the 2019-20 Budget. This will also feed into preparing the 2019 Corporate Plan. This will take place in autumn 2018.

I would now like to pass back to the Leader, Cllr Ian Harvey

Clr Harvey

Ian- Thank you Councillor Williams.

The Council's priorities of Economic Development, Housing, Clean and Safe Environment and Financial Stability have informed the construction of this budget.

We supported Staines-upon-Thames Business Improvement District in its first year of operation. The BID helped support a particularly successful Staines-upon-Thames Day last June, for which I know Madam Mayor was also actively involved with securing the prestigious Gloriana for two days, and for which I congratulate her. The BID put on a number of additional events including a comedy night, an auction event and a Food Festival.

The Council is actively working through the new Joint Committee with our County Partners to improve our traffic infrastructure, with the first step being to update the traffic light signal system in Staines-upon-Thames.

On the issue of transport infrastructure I am particularly pleased with the innovative proposals our Chief Executive Daniel Mouawad is leading on to press for an appropriate light rail connection from Staines to Heathrow. If successful this will be similar to the Docklands Light Railway, which incidentally, Daniel was heavily involved in developing. This would provide a significant economic boost to the town making it a gateway airport city only 7 minutes away from the airport.

With our ambitious but prudent financial strategy we are ensuring that the Council can continue to support the voluntary sector to the tune of approximately three hundred thousand pounds per annum. We strongly value our links with the voluntary sector who do an excellent job of helping those in need. We are particularly pleased about the way Voluntary Support North Surrey has performed in their first year of working with us. Their role of coordinating, training and encouraging volunteers has been a great improvement on previous years.

- The Capital programme before the Council includes: Carry forward provisions to enable us to respond if further appropriate commercial asset opportunities arise. It is important that we have the flexibility to grasp opportunities whilst interest rates remain relatively low.
- £10 million in 2018-19 to complete the Bugle and Churchill housing development and phase 1 of Benwell House
- eight hundred and eighty five thousand pounds to reconfigure the Council's office accommodation to free up a significant part of this building. As the Chief Executive has mentioned this will reduce the Council's business rates and accommodation costs and generate additional sustainable future income
- One million eight hundred thousand pounds for design and early stage work on progressing a replacement Spelthorne Leisure centre. This will be an ambitious project investing in the future health, well being and leisure of our residents.

The Capital Programme provision for 2018-19 totals two hundred and nineteen million, two hundred thousand pounds.

In 2017-18, as a result of our additional financial headroom created by our BP acquisition I initiated the Windfall Grant scheme which has resulted in councillors across the borough supporting projects across all wards to leave a lasting legacy for the benefit of our residents.

We will seek to build upon our existing partnerships and drive forward partnership working with both private and public sector organisations.

We are working hard to encourage, retain and grow local business to maximise opportunities with the Economic Development team having done some good work on inward investment and building relationships with businesses.

Alongside other Surrey councils, we took part in MIPIM 2017 – the UK's foremost property trade market event in London. This helped to raise our profile and promote investment opportunities in the Borough.

The team ran a successful employment fair at Kempton Park last September and this event in 2018 is set to grow further with all secondary schools being encouraged to attend and offered transport to the venue.

In the meantime in order to meet our future financial challenges we will focus ever more closely on:

- maximising income from assets,
- shared working opportunities
- procurement savings
- flexible use of technology
- looking at how we deliver and prioritise services

Where necessary we will be prepared to make difficult decisions.

Madam Mayor, I have rightly concentrated on our achievements with regard to Financial Sustainability and I would like to now to illustrate briefly some of the achievements we have made within our other priority areas of Economic

Development, Housing, and Clean and Safe Environment.

Economic Development

- We have a strong voice in this region's economic development working in partnership with the Enterprise M3 Local Enterprise Partnership (LEP).
- We are robustly protecting the Borough's interests and actively responding to the Heathrow expansion consultations to ensure that environmental, noise impacts etc are appropriately mitigated and that the Borough, its residents and businesses gain a fair share of the benefits associated with expansion.
- We have already highlighted the successful bid by the Surrey councils to pilot greater retention of business rates and the funds this will potentially generate to invest in economic development initiatives including an incubator for small businesses

- **Housing** The level of building activity can be a good barometer of the health of a local economy. In the last financial year we saw 347 net additional dwellings constructed. 46 of these were ‘affordable’ dwellings. We also had 476 dwellings under construction and planning permissions for a further 608 dwellings. The Planning Team is working hard on progressing the various elements of the Local Plan process.
- **Churchill** – I am pleased to say the construction works are now underway to develop three affordable housing units which should be completed by the end of the year.
- **Bugle** – I am pleased to say the construction works are now underway to develop eight market rental dwellings on the rather notorious former Bugle pub site which should be completed by the end of the year.
- **Benwell House**- we grasped a strategic opportunity to acquire the Benwell House site for conversion to residential. We have made thorough preparations for the nationwide implementation of the **Homelessness Reduction Act** from 3 April which will result in additional responsibilities and increased workloads for our housing

team. We have built in revenue budget growth to cover additional staff resources to ensure that we meet this challenge.

- In September, in fact at the end of Daniel's first week here, our staff responded superbly to the emergency counter-terrorism evacuation in Sunbury, when we suddenly had to look after a large number of residents at short notice. I am sure some of you saw me on Sky News, and no, I was not the one in handcuffs, perhaps to the disappointment of one or two members here. I would like to thank staff and fellow Councillors for their immediate response on that Saturday.

Clean and Safe Environment

- We continue to work towards minimising the amounts of residual waste we produce by finding effective ways to increase public participation in recycling. In 2017 we saw a rise in our recycling rate from 47.9% to 48.5%. It is anticipated there will be a further increase in 2018 due to a higher number of properties recycling food waste and a number of flats moving to alternate weekly collections.
- As part of its response to its financial pressures, Surrey County Council is taking control of the income from recyclable materials away from districts and boroughs. This has resulted in a one hundred and

ten thousand pounds fall in income for us in 2018-19 which will increase significantly over the next two years.

- During 2017-18 on behalf of our residents, of whom have a higher proportion working night shifts than other parts of Surrey, I stepped in and negotiated a way to ensure that the street lights did not go out in Spelthorne as a result of SCC's financial cuts.
- In 2018-19 we will be stepping in, at a cost of forty thousand pounds to maintain highways verge maintenance standards in the Borough.
- During the summer of 2017 we had to bring back in house our grounds maintenance arrangements. The Neighbourhoods Services team with support from other services such as HR, managed this process extremely well to ensure a smooth transition. This delivered both significant financial and social benefits

Madam Mayor before I conclude I would like to reiterate this administration's recent key achievements:

- Progressing the Towards a Sustainable Future programme to ensure that the Council is able to continue to provide the services needed by its residents.
- Maintaining an excellent rate of return on our investments to help support the provision of services
- Transforming the financial position of the Council by developing a £700m plus commercial asset portfolio delivering a net income of £7.5m per annum. This enables us to continue to maintain levels of service for our residents despite significant funding cuts and additional spending pressures.

These achievements enable us to continue to deliver the services that our residents both deserve and expect from this, their Conservative Council!

I would like to thank Councillor Howard Williams and also all other Cabinet Members, as well as the Chief Executive and his Management Team especially Terry Collier and his financial colleagues and all the staff for their support and assistance in preparing this budget.

I now formally move the recommendations of the Cabinet of 21 February 2018, as set out within the Budget Book at pages 3-6 of the agenda, detailing the precepts by the County Council and Surrey Police and the Band D Council Tax levy for the year 2018-19.

I am proud to stand before you and declare with confidence that this Conservative administration will continue to ensure that the Council delivers quality and the best value for money services that matter most to our residents and businesses, and will particularly seek to provide services that the most vulnerable in our community need.

From what I have set out in this speech with respect to our achievements over the last year and our approach to ensuring a sustainable future everyone can see that we are serious when we say:

Spelthorne Means Business.

Thank you Madam Mayor