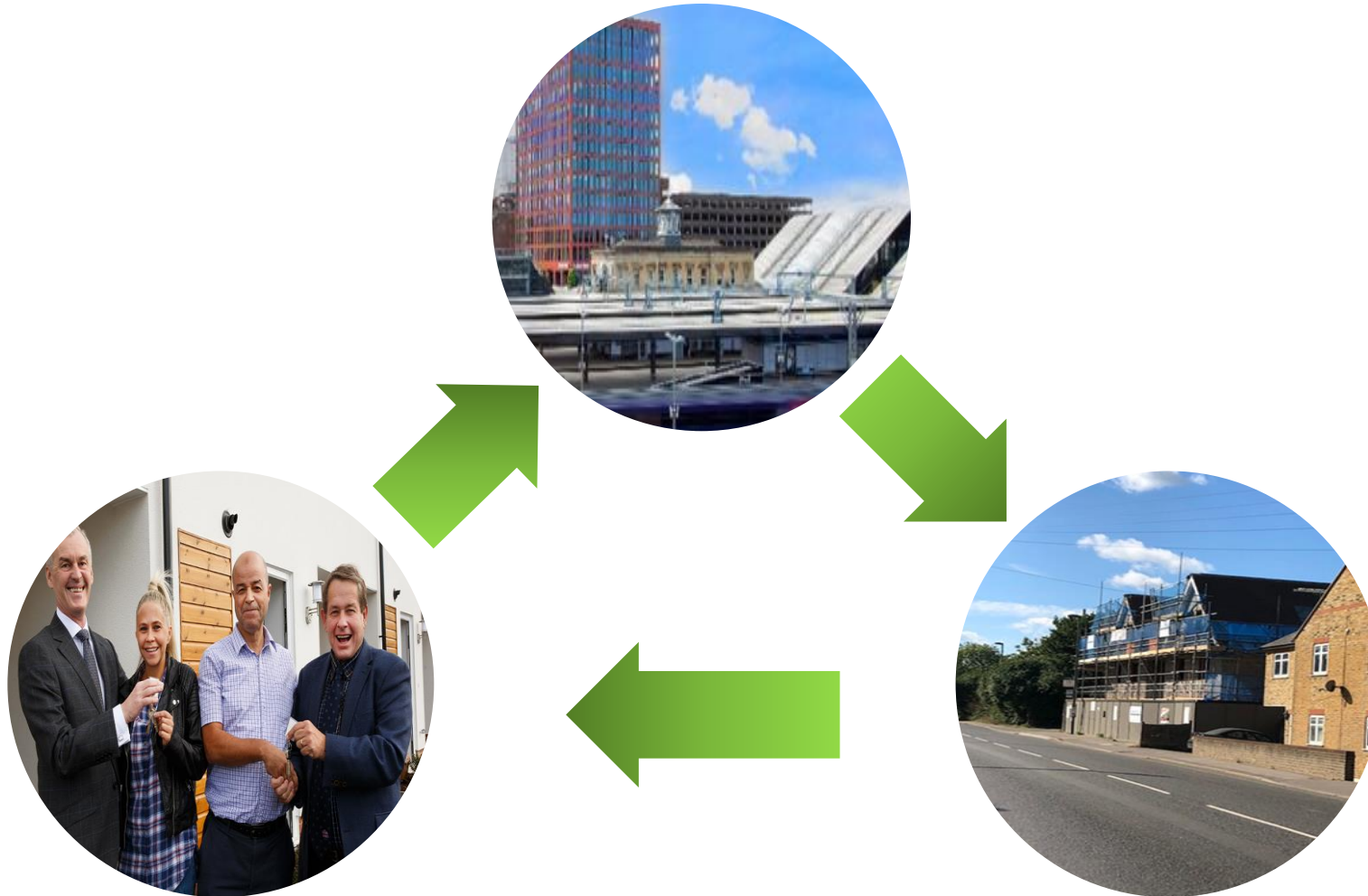


Overview and Scrutiny Budget Issues

20/11/18



Agenda

- **Timescales**
- **General Grant Funding update**
- **Council Tax Parameters**
- **Revised Budget Gap Estimates**
- **Risks**
 - **Impact of SCC financial position**
 - **Impact of Heathrow**
 - **Brexit**
- **Capital Strategy**
- **Update on additional commercial income generation**
- **Budget Consultation**
- **Housing Delivery – Knowle Green Estates.**

Budget Timescales

- 29th October Chancellor's Budget – some additional business rates relief to be funded by Government
- 6th December Provisional Local Government Funding Settlement
 - Hopefully confirmation of dropping of negative grant for 19-20
 - Confirmation of New Homes Bonus Grant
 - Confirmation of whether Surrey Business Rates pilot for 19-20 or whether SBC in a pool
- January firm up provisional SBC Budget proposals
- February 21st – SBC Budget and Council Tax set by Council

Pressures facing Local Government



National Audit Office

Financial sustainability of local authorities 2018

Northampton Council plans cuts to all services and workforce

Core services including child social care will not escape insolvent council's cuts

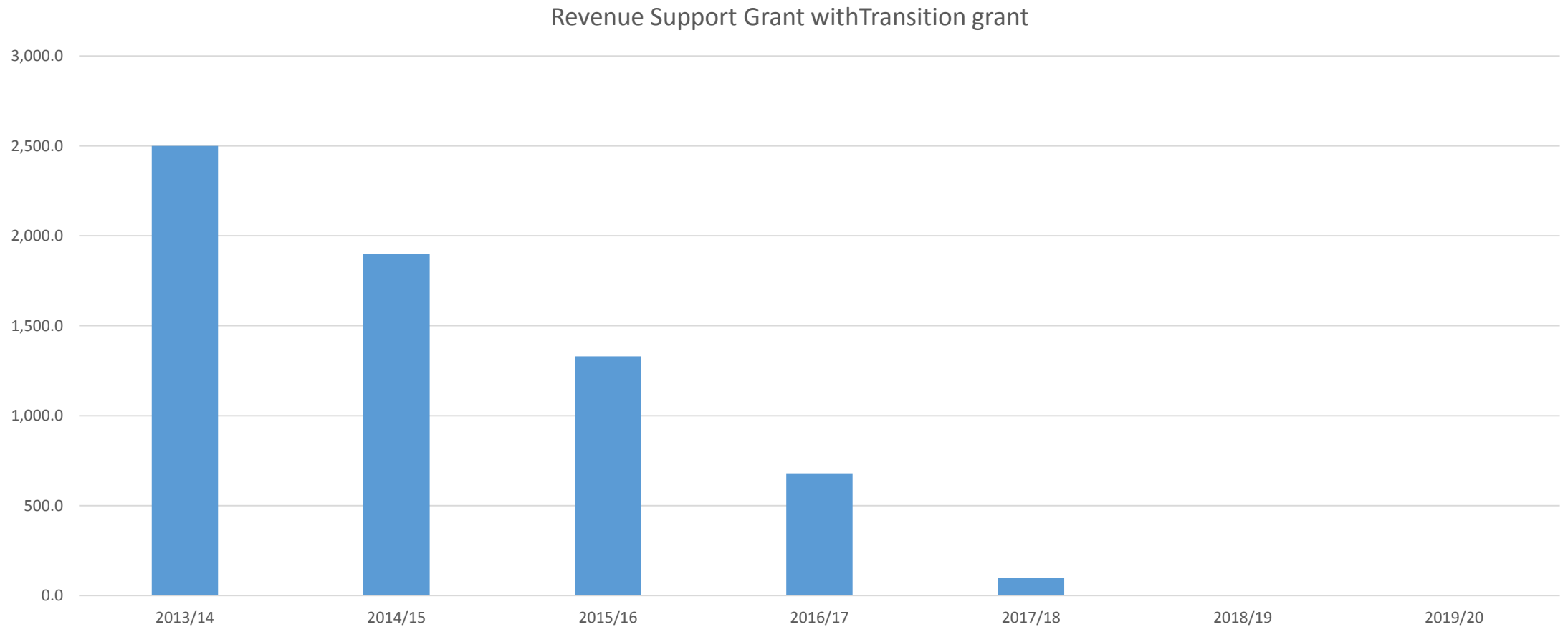
We're not another Northamptonshire, says Norfolk council boss

Somerset County Council proposes 130 job losses and cuts

Will Lancashire County Council go bust?



Reducing central government funding- dropping of negative grant for 19-20



Business Rates

- Surrey councils submitted a bid to continue as a pilot in 2019-20
- However only (with exception of London) 75% pilots are on offer, so amount we would retain would be less than under 100% scheme – approx. £600k
- Chances of success low as a lot of areas chasing small number of pilots
- As a backup we have submitted a pool proposal in which Spelthorne are one of four Surrey districts with County providing the offset to enable us to avoid paying levy on growth

Income returns delivered by acquisitions- SBC in the spotlight- £9.8m net surplus supporting services

	Purchase Cost incl SDLT & fees	Gross Initial Annual Rental	Net initial Yield	Initial Lease length	Initial net Revenue Surplus available to support Services
	£	£	%	Yrs	£
Commercial Investment Assets					
Completed					
BP Main Campus	381,532,600	15,666,000	4.12%	20	3,330,247
BP South West Corner	28,288,142	1,905,000	6.78%	12	732,798
Elmbrook House	7,579,100	477,000	6.35%	10	327,913
3 Roundwood Avenue	22,766,190	1,426,000	6.26%	10	478,012
WBC4	50,324,698	2,446,958	4.98%	15	531,617
HG12	179,067,914	9,530,865	5.32%	mixed	2,150,644
Communications House	11,962,099	1,232,000	10.33%	4.5	234,791
Reading Tower	134,071,035	6,329,071	4.72%	mixed	951,684
Charter Building	142,606,065	7,926,321	5.56%	mixed	625,723
Porter Buiding	76,867,259	3,689,778	4.80%	mixed	407,014
Total above	1,035,065,103	50,628,992	4.89%		9,770,443

Where we would be if we had not generated additional £9.8m of income

- Like other councils in Surrey we would be looking to cut back discretionary services.
 - Cutting all day centres, meals on wheels and Spelride, halving grants and cutting Leisure activities - would only deliver £1.25m savings
- Would not be able to protect existing assets through increased planned maintenance £0.75m per annum
- Would need to look at how we could cut back expenditure on service areas such as street cleaning, grounds maintenance and refuse (e.g. move to three or four weekly collection, share depot with Runnymede drop recycling?)
- Would be no capacity to deliver any housing units so no Harper, Churchill, Bugle etc.
- No capacity to cushion residents from impacts of SCC cuts

Where we would be if we had not generated additional £9.8m of income

- We would be ramping up car parking charges
- No additional pay increases for staff or councillors- impact on recruitment and retention
- Selling assets such as:
 - Bridge Street (which would to generate £1m interest per annum)
- Might need to sell Knowle Green and relocate to cheaper premises and invest receipts to earn interest- unknown relocation costs
- Would be making cuts across all services of the order of 15-20% (as 2 other Surrey districts are currently having to do)

Capital Strategy

- MHCLG has implemented new investment guidance
- Risk that because this has not achieved Treasury's desire of reducing activity that further tightening will happen and PWLB rationed
- We need to produce Capital Strategy by end of 18-19 setting out
 - Capital needs for longer term
 - Rationale for commercial investments and how they support local current needs such as financing our housing delivery projects
 - How we manage risk
 - How we ensure we have the right skills and resources to manage the activity

Council Tax Parameters

- Government has confirmed that limits likely to be unchanged
- For borough councils limit will be higher of £5 Band D increase or 3% (£5.77 Band increase)
- Each 1% increase adds approx. £80k of income
- SBC share of the total council tax bill is 10.7%
- SCC increase this year will also be limited to 3% as have used up their allowable Adult Social Care Precept increases

Revised Estimated Budget Gaps

A challenging picture 20-21 to 23-24
(figures will change)

				19-20	20-21	21-22	22-23
				£	£	£	£
Lastest Budget gap estimates				888,500	3,890,500	4,706,100	6,274,700
Revenue financing of housing developments				2,477,400	3,456,800	3,821,800	307,500
Underlying Budget Gap				3,365,900	7,347,300	8,527,900	6,582,200
Impact of most recent commercial acquisitions				(2,000,000)	(2,500,000)	(2,500,000)	(2,500,000)
Budget Gap reflectng development financing				1,365,900	4,847,300	6,027,900	4,082,200

Key Factors feeding into the Gaps

2019-20 :

New Homes Bonus (NHB) Grant £106k

- Business rates £300k
- SCC Waste & Recycling credits £137k
- Borough Elections £140k
- Pay award £330k
- Resourcing ICT £200k
- Resourcing response to Heathrow £320k
- **Net Financing of developments £1,436k**

2020-21:

Assumed reduction in Business Rates income £800k

- NHB £138k
- Funding Loss £750k
- SCC Waste & Recycling credits £186k
- Planned Maintenance £250k
- Pay award £350k
- **Net Financing of developments £1,618k**

•2021-22:

Pay award £370k

- NHB £190k
- **Net Financing of developments £825k**

SCC's unknown cuts

- CIPFA Report on financial arrangements
- Potentially running out of reserves
- New 5 Year Preliminary Financial Plan in place
- Consultations on 5 themes now underway deadline 4th January, we will be responding
- Looking to deliver £85m savings next year
- We have now received confirmation of phasing of grant cuts to MoW, Spelride etc over the next two years
- SCC have just notified us of in-year 25% funding reduction (£13k) for Home Improvement Agency (note Capital)
- Parallels to Northamptonshire CC
- Over next 3 years phased reduction in recycling credits income
- Other impacts as yet unknown

Impact of Brexit?



Heathrow

- Resourcing impact of representing the Borough's interests - £3m over 6 years
- Seeking to obtain fair reimbursement from HAL
 - Shortfall currently £160k = 2% council tax increase
- No net revenue growth factored in at present into Budget Gap estimates



Strategies to close budget gap

- Continue to generate more net commercial investment income and more net housing rental income
- Look at other options for financing housing delivery programme
- Project Lima reducing office accommodation costs, facilitating rental income stream on West Wing, and enabling us to consolidate printers(delivering £12k per annum saving)
- Root and Branch review – identifying process efficiencies across service areas
- Prioritisation of growth bids
- Continuing achievement of good treasury management returns
- Looking to make savings in areas such as printing, energy, postage
- Business rates allocations decisions may help close the 2018-19 gap

Housing Developments

- In early years a revenue pressure but in future year's produces a net rental stream
- Easing pressures on Revenue homeless budget
- Making significant contribution towards our Local Plan numbers
- Delivering housing to meet the needs of **our** residents

Pay settlement update

- Unison indicating looking to move to a collective agreement with respect to implementing Local Pay- currently parallel running of collective agreement discussions and preparing for option of reissuing terms and conditions
- Future consultation arrangements likely to provide opportunity for Unison to present their proposal for pay increase to Cabinet Budget Briefing
- Whilst 2019-20 Pay offer will be subject to affordability we are currently providing for a 2.5% increase in our modelling for each of next 4 years

Beyond 2020

- Government's consultation indicating dropping negative grant for 19-20
- Currently assuming this impact will only be for one year and that beyond that resources will continued to be taken away
- Business rates baseline reset in 2020/21 and, from 2020/21, business rates retention will be at 75% nationally –
- In future years risk that business rates income we keep could be significantly cut back and shift of funding towards counties
- If we are to avoid difficult service reductions in future years we need to continue to grow alternative income streams
- Focus on getting further income earning acquisitions across the line- timing running out a) risk of further restrictions b) interest rates rising
- Housing developments once completed will start to generate income- need to ensure tight project management and delivery

Budget Consultation

- Cabinet has discussed using consultation to inform future budget decisions
- More challenging gaps from 20-21 therefore make sense to delay consultation until summer 2019
- Also inform 2019-22 Corporate Plan for next administration
- Budget consultation helps inform decisions
- Undertaken with support from experts in undertaking budget consultations
- A mix of focus group, face to face and online

Housing Delivery

- Churchill delivered – 3 families provided with affordable housing
- Bugle on track – 8 flats
- Ceaser Court phase 1 on track – 55 flats
- Hostel and affordable housing on White House being progressed will attract Homes England grant

Questions