

Cabinet

20 February 2019



Title	Detailed Revenue Budget for 2019/20		
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 2019/20.		
Recommendations	<p>The cabinet is asked to recommend that Council consider and approves :</p> <ol style="list-style-type: none">1. Continuing the Council's Local Council Tax Support Scheme with the current rules and regulations.2. Continuing the complete disregard of war pension / armed forces pension income from benefit calculations.3. The growth and savings items as set out in the report's appendices.4. The Council Tax Base for the whole council area for 2019/20. [Item T in the formula in Section 31b(3) of the local government Finance Act 1992, as amended (the "act")] should be 39,688.00 band D equivalent dwellings and calculate that the Council Tax requirement for the Council's own purpose for 2019/20 is £202.44 Per Band D equivalent dwelling.5. To approve a £5 or 2.53% increase on Band D in the Spelthorne Borough Council element of the Council Tax for 2019/20. 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 2019/20.c) To agree that the Council Tax base for the year 2019/20 is 39,688.00 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 2019/20 in accordance with Section 31 to 36 of the Local Government Act 1992.

A	107,042,500	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	99,008,100	Being the aggregate of the amount which the Council estimates for the items set out in Section 31A(3) of the Act
C	8,034,400	Being the amount by which the aggregate at (A) above exceeds the aggregate at (B) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year
D	202.44	Being the amount at (C) above divided by the amount at 5c (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	202.44	Being the amount at (D) above less the result given by dividing the amount at (E) above by the amount at 5c (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 2019/20 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 £
134.96	157.45	179.95	202.44	247.43	292.41	337.40	404.88

Being the amounts given by multiplying the amount at (F) 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 2019/20 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	969.00	1,130.50	1,292.00	1,453.50	1,776.50	2,099.50	2,422.50	2,907.00
Surrey Police & Crime Commissioner	173.71	202.67	231.62	260.57	318.47	376.38	434.28	521.14

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 2019/20.

The Council has determined that its relevant basic amount of Council Tax for 2019/20 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 2019/20 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 2019/20 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 such as Property Management, ICT and Environmental Health and also maintaining the Council's operational service assets and making revenue contributions to Capital.
- 1.2 Appendix 1 summarises the current draft detailed Budget proposed for 2019-20. 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 a reduced New Homes Bonus) & Retained Business Rates
- Council Tax

Business Rates Retention Pilot

- 1.3 Whilst Spelthorne and the other Surrey authorities were successful in their application to be a 100% Business Rates Retention pilot in 2018/19, the Surrey Councils bid to be 75% pilot in 2019/20 was unsuccessful. Spelthorne along with three other Surrey district/borough and Surrey County Council will form a Surrey Business Rates pool for 2019/20 which should enable the Council to retain £300k to £600k more business rates than would be the case if it were not in a pool.

Grant Settlement

- 1.4 The Government grant settlement confirmed that Spelthorne would continue to receive no general grant support in 2019/20. On a positive note the Government dropped its proposal for negative grant allocations for 2019/20 which would have meant the Council paying £750,000 to the Government. We are assuming in our financial planning that this is only a temporary reprieve and that from 2020/21 we will face further such reductions in our net funding.

Council Tax and Capping

- 1.5 It has been announced that the referendum limit has been maintained at either 3% or a rise of £5 on Band D for shire districts and boroughs. Counties and unitaries are able to levy an additional adult social care precept over the period 2017/18 to 2019/20 either in the form of 3 increases (i.e. in 2017/18, 2018/19 and 2019/20) of 2% or two increases of 3%, with Surrey County Council having already made two increases of 3% it is not able to make a further adult social care precept increase in 2019/20 and will be limited to a 3% increase. The police can now increase by up to £24 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 2.53%) which provides an additional £340k 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 2019/20.

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 discussions the Council has been having with the local Unison branch as to the intended increase in 2019/20, the first year following the Council's move to a local pay agreement. The proposal is for a 2.5% increase to be applied for staff and Councillors remuneration.

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 not necessary for employers to increase their lump sum employer contributions as there is no 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 2019/20 there is therefore no change to the budget.

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 three 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 2019/20 Budget is being supported by an additional full year net income of £10.1m 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 4.5% as at December 2018 which is a very good rate of return when compared to base rate of 0.75%.
- 1.15 Returns on maturing cash deposits are currently within the range of 0.71% to 0.77% and the average overall return on investments is expected to be around 1.7%.

Investment Income

- 1.16 The Cabinet has separately received on the January meeting agenda the Treasury Management Strategy for 2019/20 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 Arlingclose advise the Council on expected rate changes which would affect investments. The Bank Rate was increased from 0.50% to 0.75% in August 2018; no changes to monetary policy have been made since then. The Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.
- 1.18 Cabinet is receiving separately on this agenda the draft Capital Strategy setting out the Council's broader approach to management of capital expenditure and risk mitigation with respect to financial and non-financial investment assets.

Use of Reserves

- 1.19 The change in the financial sustainability of the authority as a result of the recent investment property purchases means that for the year 2019/20, 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/topping up sinking funds to cover the Council in the event of unexpected income loss. Sinking funds by the end of 2019/20 are anticipated to total £17.6m.

Growth Items

- 1.20 Additional spending pressures or reduced income streams totalling £2.6m have been included in the budget. Appendix 2 summarises the discretionary budget growth items.
- 1.21 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, for example service resilience
 - The extent to which it supports corporate priorities
- 1.22 There are a number of areas of new or increased expenditure items included in the 2019/20 budget and some of these are highlighted below:
- Additional staffing resources / recruitment & retention
 - Additional costs due to reduced Surrey County Council funding
 - Cost of Borough Elections
 - Some areas of reduced income

Savings / Additional Income

- 1.23 In total savings/additional income of approximately £2.7m have been found. 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.
- 1.24 The salary savings target for 2019/20 will remain the same at £300k.

Property

- 1.25 Additional net income from investment properties of £2.3m has been achieved. This income helps offset support our Housing Development programme. The Housing Development programme has a £2.4m revenue impact in 2019/20.

Precepts

- 1.26 Surrey County Council at its meeting on the 6th February set a Band D council tax of £1,453.50 representing a 2.99% increase and Surrey Police at its tax setting meeting on the 5th February set a band D council tax of £260.57 representing a £24 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 Band D increase of £5 which is equivalent to 2.53% 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, including the new Capital Strategy 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. The nature and size of our revenue budget carries a degree of risk, this is particularly the case in the current economic climate.
- 4.2 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. In forming this judgement I have had regard to the new Chartered Institute of Public Finance and Accountancy (CIPFA) Resilience Index results for the Council which show a strong positive picture particularly with respect to reserves levels.
- 4.3 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.
- 4.4 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 on level of economic activity including business rates income and tenants occupancy in commercial assets	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	
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 21 February 2019.

Background papers: None

Appendices: 1 & 2