Cabinet

27 January 2016

Title	Outline Budget 2016-17 to 2019-20		
Purpose of the report	To make a Key Decision		
Report Author	Chief Finance Officer		
Cabinet Member	Councillor Tim Evans	**Confidential**	No
Corporate Priority	Value for money Council		
Cabinet Values	Self-Reliance		
Recommendations	**1.The net budgeted expenditure (before investment and use of reserves) for 2016-17 be set at a maximum level of £14.5m** **2. That the financial health indicators set out in paragraph 3.20 be agreed** **3. That the Council accepts in principle the Government offer of a 4 year funding settlement in order to protect the Council against risk of further increases in payments it is required to make in future years to the Government**		

1. Key issues

1.1 The key financial issue facing the Council is the impact of the ongoing national public sector austerity programme on local government in general and on the Council's specific funding. In the Spending Review on 25th November the Chancellor announced that the Department of Local Government (DCLG) central budget is due to reduce by 29% over the next four years and that DCLG grant funding of local government will reduce by more than 50% of that period. On 17th December the Government announced a provisional funding cut in the Revenue Support Grant (RSG) for Spelthorne of £750k or 54% for 2016-17. We have also been notified that 2016-17 will be the last year Spelthorne will receive RSG. This reduction and elimination of RSG is harder and faster than anticipated.

1.2 The Chancellor had already announced in July that by 2020-21 the Government intends to end provision of general Revenue Support Grant funding of councils with councils to be allowed to retain 100% of business rates. The key issue for us is that the 100% retention does not take effect until 2020-21 but we will not be receiving RSG in the years 2017-18 to 2019-20. Once the new scheme is announced the devil will be in the detail with respect to business rates as we do not yet know what adjustments will be made with respect to other grants, other responsibilities local government will be expected to take on responsibility for. There will continue to be a tariff and top up mechanism redistributing business rates income from high tax base authorities such as ourselves in Surrey to other parts of the country. We are awaiting more details of how 100% business retention will work. 100% retention will further magnify both the upsides of growth in local tax base but also the downsides associated for example when businesses successfully win appeals to reduce their valuations or businesses go into administration. With 100% retention councils will fully bear that risk.

1.3 A key risk coming out of the Spending Review announcements is the proposed review of New Homes Bonus (NHB) Grant. NHB grant by value (£1.9m in 2016-17) is already more important to us than RSG (£0.6m 2016-17) and is set to become more important with significant growth in council tax base projected over the next few years. The review will look at the option of reducing the time NHB is paid from 6 years to 4 years and to link the grant more clearly to council's planning and housing growth performance for example withholding NHB from councils who do not have a Local Plan in place or reducing payments for houses built on appeal.

1.4 The total national NHB pot will reduce by £800m to enable the Government to redirect those funds towards Social Care. Councils have until 10 March 2016 to respond to the NHB consultation paper and the consultation will not impact on the allocations for 2016-17.

1.5 Given the context of reducing central government funding the Council needs to remain very focused on growing local ongoing sources of income such as

(a) Using economic development to encourage growth in the business rates taxbase

(b) Growing the council tax base- anticipated to rise by an average of approximately 1% per annum for next two to three years

(c) Maximising income streams from the Council's assets

(d) Developing income from alternative delivery models

(e) Maximising income from fees and charges

(f) Maximising investment returns from a diversified portfolio

(g) Exploring ability to generate returns from property investments whilst supporting borough economic development and housing objectives

(h) Maximising Council Tax within the bounds permitted.

We need to be particularly focused on moving forward some of these income streams as quickly as possible given that we will cease to receive RSG after 2016-17 and our future NHB payments from 2017-18 are likely to reduce.

2. Options analysis and proposal

2.1 The Outline Budget needs to cover the following areas:

(a) Anticipated declining levels of revenue grant support

(b) Anticipated external pressures such as statutory changes impacting over the outline budget period

(c) How we fund our corporate priorities by generating increased income streams

(d) The level of Council Tax, which the Council wishes to levy

(e) Future assumptions on interest rates and investment types.

(f) The level of services that the Council wishes to provide and the level of revenue expenditure the Council wishes to incur in the provision of those services. This is particularly important in light of the significantly reduced grant the Council will now receive.

(g) The level and range of charges the Council should make for its services.

(h) The use of revenue reserves (if any) the Council wishes to use to support that level of service.

(i) The level of reserves the Council wishes to retain to provide investment income and ensure stability for the future.

(j) The alternative use of reserves to generate future savings.

(k) To review the Council's portfolio of assets to ensure that it is maximising value obtained from use of assets (both in terms of cost of maintaining those assets and income generated from them) and to review opportunities to rationalise the portfolio and generate additional income streams.

(l) The level of capital expenditure which the Council wishes to support and how it will seek to borrow, including being prepared to borrow where there are robust business cases in support.

2.2 Reducing Grant Support

A new methodology for determining authorities' RSG allocations has been proposed within the provisional settlement. Rather than applying the same percentage cut to all authorities, the new approach takes into account individual authorities' council tax raising ability and the type of services provided. This would appear to favour upper tier authorities and unitary authorities, with significantly larger funding reductions for district councils and shire counties particularly Surrey.

2.3 The approach adopted means that authorities with a lower than average council taxbase such as the big cities have a lower reduction in grant (and those with a higher taxbase have a higher reduction in grant).

2.4 Revenue Support Grant (RSG) currently £1.3m for 2015-16, has reduced year on year from 2013-14 when it was £2.5m, We were advised, on 17th December, of the provisional figures for 2016-17 with further reduction of £750k taking the grant down to £0.580m. The Chancellor had previously indicated that by 2019-20 the Government will cease to pay Revenue Support Grant to local authorities which it coincide with "100% retention" of business rates being implemented. However we have been notified that we will cease to receive RSG after 2016-17. Therefore our reduction has been harder and faster than we or others had been forecasting leaving us with a significant deficit to make up.

2.5 All the Surrey districts and boroughs have received RSG reductions for 2016-17 in the range of 44% to 70% and eight of the 11 Surrey districts will cease to receive RSG from 2017-18. Nationally 15 districts will cease to receive RSG from 2017-18 so Surrey and the Surrey districts have been particularly hard hit which is a result of the methodology adopted with respect to council taxbase. The methodology aims to take into account the amount that an authority can raise locally/the impact on overall funding of RSG reductions. The affected 15 Councils have responded collectively to the DCLG on the RSG reductions, as have the Surrey Treasurers.

Four Year Settlements

2.6 Government has stated that it will offer any council that wishes to take it up a four year funding settlement to 2019/20. This in theory provides the benefit of certainty of knowing future funding – although we now know that for future years we will receive nil RSG. The offer in effect only applies to RSG and excludes NHB or retained business rates.

2.7 Councils will need to request this and have an efficiency plan in place, thought the government does not state what such a plan should look like. The DCLG has indicated that it will clarify by the time of the final settlement on 11th February the nature of the plan required but it is likely to be a light touch requirement.

2.8 It is important to note that the Government has qualified the offering by stating that final grant determinations (of the funding figures produced) in future years will still be subject to change as the business rates multiplier changes; for future changes such as transfer of functions, mergers etc. The government also says future years could change owing to unforeseen events but does not indicate if this includes unforeseen economic events such as failing to meet its fiscal targets for a budget surplus;

2.9 The government has not indicated what the formal process for this request is; who from an authority should request the future years' settlement; what the timetable for the request is; what approval process is required in a council; whether a request can be rescinded if there is political change at a local authority.

2.10 It is recommended that in order to protect the Council against further increases in amounts it is required to pay over to the Government that it accepts the Government offer of a 4 year funding settlement.

New Homes Bonus Grant

2.11 New Homes Bonus (NHB) grant is paid by the Government to encourage greater numbers of dwellings in areas. The grant match funds the income generated from the additional council tax income from additional dwellings (either new or long term empty brought back into use) with currently an 80:20 split between districts and counties, and is paid for six years. With the grant accumulating over a six year period the amounts of grant have begun to become significant, in 2015-16 we are receiving £1.6m NHB grant which is more than we receive for Revenue Support Grant. With a reasonably significant increase in dwellings and council tax base projected over the next two to three years NHB, if left unaltered, would become even more important as a funding source for us.

2.12 In the Spending Review announcements on 25th November the Chancellor signalled an intention to undertake a review of NHB arrangement potentially looking at altering the districts: counties to split to give a higher proportion of the grant to counties to assist with their social care pressures and to reduce the number of years funding from six years to four years. With the provisional grant announcements details of a provisional consultation on these proposals have been confirmed. The Council will be responding to the consultation.

Retained Business Rates

2.13 April 2013 saw the commencement of the new retention of business rates regime under which we retain a small proportion of business rates after paying 50% over to the Treasury, 10% over to Surrey County Council, a £14m tariff and then a 50% levy on additional growth. After adjustments our net share of any underlying growth in business rates is 20%. However, we also bear 40% of the risk of any businesses being unable to pay their business rates. The other risk we are exposed to relates to businesses successfully appealing to Valuation Tribunals to have their valuations as set by the Valuation Office Agency reduced.

2.14 As mentioned in paragraph 2.7 we would normally pay a 50% levy on any additional business rates growth achieved relative to our baseline (for example we are currently waiting for Costco, and 20 Kingston Road to be added back to the Rating List). However, in 2015-16 Spelthorne along with three other Surrey districts and boroughs (Elmbridge, Mole Valley and Woking) plus the County Council formed a business rates “pool” which by combining tariff boroughs with a top up county council means we will not be liable to pay a levy on any additional business rates growth we achieve in 2015-16. We are anticipating remaining being in this pool in 2016-17. We are liaising with advisers following the provisional grant settlements to review our retained business rates projections for 2016-17.It is quite possible that the business rates pool will no longer exist after 2017-18.

Adjustments to Business Rates Tariff and Top Up amounts

2.15 For certain authorities (typically those with a large taxbase relative to SFA, ie all of the Surrey districts) Revenue Support Grant reaches £0 in 2017/18, 2018/19 or 2019/20.

2.16 In these instances, government have either reduced top up amounts or increased tariff amounts so that the Revenue Support Grant Reductions for each authority truly reflect their latest approach (i.e. taking into account both council tax raising ability and SFA amounts). This enables the Treasury to still extract savings from councils even when they no longer are paying them grants. In a sense we will have a negative grant.

2.17 It would appear the business rates retention scheme is unaltered by this change to the tariff amount as the safety net threshold remains at 92.5% of baseline need. Therefore, the only impact of this is a transfer of money to DCLG from the authority. In effect negative Revenue Support Grant. This adjustment is worth £153m to DCLG by 2019/20. Of this £153m Surrey and Surrey councils will be contributing £27m.

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Tariff/Top-Up adjustment	0.00	-2.27	-22.82	-152.88

At this stage the payment to DCLG is being used with its new RSG reallocation methodology (i.e.. given to other authorities to keep authorities at the same tier at the same spending power). However, this could be the first instance (potentially) of how DCLG intends to recover resources from local authorities under 100% business rates retention (to fund scheme such as New Homes Bonus or any safety net created under the new scheme).

2.18 For Spelthorne the figures are as follows:

Spelthorne Tariff Adjustments or "negative" RSG

	17-18 £m	18-19 £m	19-20 £m
Tariff Adjustment	0.10	0.36	0.75

This means by 2019-20 Spelthorne will be paying negative RSG of £750k per annum to the Treasury.

2.19 **Aggregate impact of RSG, NHB and retained Business Rates**

2.20 The projected combined funding from these sources for the next four years is set out in the table below.

	15-16 £	16-17 £	17-18 £	18-19 £	19-20 £
Business Rates	3,055,700	2,755,700	2,778,000	2,898,000	3,024,000
RSG	1,330,600	580,000	-100,000	-360,000	-750,000
NNB	1,565,400	1,895,600	1,895,600	1,200,000	1,200,000
Total funding	5,951,700	5,231,300	4,573,600	3,738,000	3,474,000

Note the NHB figures are indicative figures provided by the Government which are likely to change as a result of the NHB consultation.

2.21 **Pensions**

2.22 There are two elements to the Council's contributions towards the Surrey Local Government Pension Fund a) ongoing current service accrual rate – towards the additional pension liabilities being accrued as staff serve a further year. This is currently 15.8% of pensionable pay. b) a historic deficit contribution toward the deficit relating to the funding of pension liabilities arising from past service of current staff, pensioners and individuals who have deferred pensions. The contributions are calculated with the aim of repaying the deficit over a 20 year period. The actuary's initial advice is to that our contribution will need to rise as follows:

Currently £837,000 in 2015/16

- £1,016,000 in 2016/17

2.23 This significant increase has been reflected in the outline budget projections. We have not projected further rises beyond 2017-18 yet as the next triennial valuation will be undertaken as at 31 March 2016 which will impact on employer contributions for the three financial years from 2017-18.

2.24 Additionally 2016-17 will see the introduction of a single tier state pension system, with the end of employers such as local government "contracting out" of the higher contributions. This will mean Spelthorne's employer contributions will increase by 3.4% on an ongoing basis. This cost is estimated at approximately £170k per annum from 2016-17 and is reflected in the Outline Budget projections. Employees will also set an average increase in their deductions of approximately 1.4%

2.25 It can be seen that this is a particularly significant adverse pensions impact in 2016-17 resulting from an increase of £180k in employer superannuation contributions and impact of ending of contracting out adding a further £170k giving a combined effect of additional £350k expenditure in 2016-17.

Pay increase

2.26 Previous projections had assumed an annual increase of 1% for staff and councillors 2014-15 and 2015-16 then 1.5% per annum thereafter. Spelthorne applies the nationally negotiated annual pay award. Currently we are awaiting agreement of a national pay deal for 2016-17. The feedback we have received from the national employers is that a two year deal for 2016-17 and 2017-18 has been offered which equates to an average increase of 2.4% over the two years with an increase of 1% for posts above scp 18 and higher percentages for posts between scp 6 and 17 to address the issue of the implementation of the new National Living Wage (of the 2.4% some 0.4% relates to the National Living Wage effect). We have calculated that if the offer is accepted by the unions this would add £132k to our costs (including on-costs) in 2016-17 as this is included in the budget.

Universal Credit / Housing Benefit/Welfare reform

2.27 The Department of Work and Pensions has indicated that in 2016 the Universal Credit (UC) scheme to replace Housing Benefit will be rolled out across all local authorities. Our modelling currently assumes this will be completed by 2018-19.The disappearance of Housing Benefits will have a net adverse financial impact on the Council as currently we are very efficient at recovering overpayments for which under the current system we are able to retain 40% which contributes £500k income per annum to the Council's budget. Our outline budget projections currently assume that Universal credit be phased in over four year period we will lose gradually the £500k per annum overpayment income. Therefore by 2018-19 Spelthorne will be £500k per annum worse off.

2.28 Whilst we are waiting for clarification as to what residual role local authorities will retain for assisting with those claimants unable to interact over the internet, clearly the majority of the staff currently involved with housing benefit administration will by 2017-18 no longer be required. We have been advised that the DWP initially felt there would be no cost to local authorities from losing housing benefit staff should those staff not transfer to DWP, as they would be dealt with through natural attrition rather than having to make exit payments. After lobbying by the LGA, DWP has conceded there would be an impact. Following on from further discussions with the LGA the DWP indicates that it has now set aside a reasonable budget within the UC business case to support councils with exit costs for housing benefit staff. We will await further details on this. In order to provide some additional support DWP has also agreed to keep the UC element of the housing benefit admin grant in place for 16/17. However, after this period we anticipate that the housing benefit admin grant will start to be impacted upon to reflect the integration of housing benefit into the online UC offer.

2.29 Like most councils we are facing increasing pressure on our budget with respect to our discretionary housing payments and bed and breakfast budgets. We anticipate that these pressures may increase with the reduction in the benefits cap from £23k per annum to £20k. Our homelessness budget is part of the budget which is facing increasing growth pressures. As councillors will be aware the Council is looking at a number of measures to try both to maximise prevention of homelessness and to provide more cost effective temporary accommodation alternatives to Bed and Breakfast.

Council Tax Support

2.30 From 1st April 2013 the Treasury reduced funding of council tax benefits by 10% (although pensioners are protected so the impact falls disproportionately on working age claimants). At the same time councils have been asked to design their local schemes. The Council implemented a scheme for 2013-14 and then revised it for 2014-15. This was intended to then provide a period of stability so there is no proposal to revise the Spelthorne Local Council Tax Support Scheme further.

2.31 The Council Tax Support scheme seems to have settled down and officers are not proposing further changes to the scheme for 2016-17.

3 Options analysis and proposal

3.1 OUTLINE BUDGET 2015/2016 – 2018/2019

3.1 Attached as Appendix A is a summary of projected expenditure and possible financing to 31 March 2020. It will be seen that the amount needed to be funded from Council Tax is £7.1m, taking into account use of reserves and investment income service expenditure would total some £14.4m in 2016/17 if the budget gap (currently £200k were not closed rising to £4.5 m over the Outline period if mitigating actions were not put in place.

3.2 Council Tax rate increases for 2016-17 and future years are assumed to be 1.94% per annum. However, it remains possible that the council tax referendum limit will be amended by Government.

3.3 In response to the reducing funding levels, Cabinet and Management Team have recognised that a fundamental transformation programme “Towards a Sustainable Future” (TaSF) needs to be put in place to aim at making the Council a self-funding council by the end of the outline budget period.

3.4 The TaSF programme includes three strands

a) Maximising income streams from investments and the Council's assets, This will link with the Council's refresh Housing Strategy which is aiming to use Council assets to generate additional housing supply (easing the pressure on the housing and homelessness budget) and generate income streams for the Council

b) Relocation of the Council's offices to smaller more flexible and efficient location(s) and application of agile working to save money and to enable development of housing on Knowle Green site to generate an income stream

c) Structural review including; service redesign and different delivery models to reduce expenditure. Several services have come forward with proposals to "spin out" as either Local Authority Trading Companies or Public Service mutual. The Council may consider setting up an overarching trading company arm which may be more cost efficient.

3.5 Programme management streams have been put in place to manage the delivery of the strands set out above in 3.4

3.6 Currently the Council's treasury management investments are performing well with the core investments achieving an average of 5% in 2014-15 and currently are anticipated to exceed budget performance in 2015-16 by approximately £13k. It is anticipated this level of performance can be maintained and has been built into the Outline Budget projections. The investment income projection for 2016-17 has also been increased to take into account the ability to reinvest the anticipated receipt of £20m from the Bridge Street car park development in May 2016.

3.7 The Council has procured property advisers to advise on finding alternative office accommodation. Several properties have been evaluated. All services have provided estimates of how much they believe they could reduce their use of office space by (currently over 600 sq metres has been identified). This will help the Council in its objective to reduce its accommodation costs by moving into smaller more flexible accommodation.

3.8 As mentioned above the Council is looking at acquiring properties either directly or through appropriate delivery vehicles to enable it to provide temporary accommodation as an alternative to Bed and Breakfast accommodation which is expensive and has other issues.

3.9 With respect to structure, there will be some senior officer departures which will deliver ongoing annual savings from 2016-17 This in turn will enable the staffing restructure to be revised with a greater focus on aligning services with synergies and aligning resources with the corporate priorities. This re-alignment process is anticipated to deliver ongoing savings.

3.10 In parallel Cabinet and Management team asked all services to look at delivery models to identify how by the end of the outline budget period they could deliver savings of approximately 30%. Service managers responded very positively and have generated a significant list of savings/additional income which when combined with the strands above gives Cabinet and Management Team confidence that the budget gaps in each of the outline budget period can be closed.

3.11 As mentioned in 3.4c) a few services are proposing spins outs, whilst the other services are putting forward significant service redesign proposals.

The Level of Revenue Reserves to use in Support of the Council Tax

3.12 Reserves are financial balances set aside within the Council's balance sheet to enable future financing of revenue or capital expenditure. These can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves. The key general reserve is the General Fund.
- Funds to meet known or predicted liabilities and future spending are often referred to as earmarked or specific reserves.

The cash balances held in our reserves are invested to earn interest income which helps support the overall revenue budget and the provision of services.

3.13 The Council currently uses specific revenue reserves to finance expenditure in two main ways:

a) Interest equalisation – is built up in years when investment returns are better than expected and used to support investment income in years when returns are lower.

b) New Schemes Fund – the fund is now exhausted and It is not proposed to continue to provide a stream of funding toward specific revenue costs but instead we intend to put monies back into the fund to offset future years expenditure from those areas.

c) The key focus is generating additional revenue income streams. It is recognised that whilst the projects to deliver a number of such streams are well under way they will take time to reach the point of delivering income. There is therefore the case that on the basis there is a clear strategy and plan for delivering income streams that in the interim, in order to avoid making short term cuts which ultimately in the longer term may not have been necessary that some use of reserves to help close the revenue gap would be sensible.

d) The Housing Initiatives Reserve with a balance of £7.6m has been identified as being a source of funding for supporting Housing Strategy initiatives.

3.14 Given that there may be timing differences between additional asset income streams and the need to invest to make schemes happen there may be a need for the Council to incur some borrowing. Given the relatively low rates the Council can obtain from the likes of the Public Works Loan Board (PWLB); Homes and Community Agency, the new Municipal Bonds Agency or the European Investment Bank it will potentially be more cost effective to borrow rather than draw down medium term investment funds. The Council's treasury management advisers Arlingclose are assisting in developing a borrowing strategy for the Council. It should be noted however we cannot borrow to cover deficits in the Revenue Budget

3.15 At 1 April 2015 Revenue Reserves were £11.8m, as follows:

	2015 £'000
General Fund Revenue Account*	1,966
Capital Fund*	443
Carry Forward Reserve	239
Housing Initiatives Fund	6,611
Bronzefield Maintenance Fund	281
New Schemes Fund (NSF)	1,221
Interest Equalisation	493
Insurance Reserve	50
Planning Delivery Reserve	50
Youth Council Reserve	20
Bridge Street Car Park Reserve	69
Business rates equalisation Reserve	389
	11,832

Revenue / Projected Reserves – 1 April
* indicates an uncommitted reserve available to support Council Tax.

The capital element of the NSF is now exhausted but there is still the revenue element of £1.2m in the table above.

The Level of Capital Expenditure to be supported

3.16 Each year the Council approves a four-year capital programme, which is split between Housing and "Other Services."

The 'other services' programme consists mainly of capital expenditure on Leisure, assets, replacement vehicles and information technology.

The 'other services' capital programme is financed from our capital receipts, i.e. money received in past years from the sale of assets such as the sale of the housing stock under the Local Stock Voluntary Transfer (LSVT) reserved right to buy receipts (RTB) and other 'one off' sales.

Reserved right to buy receipts from A2Dominion have fallen significantly from £600k in 2005-06 to approximately £150k in 2014/15. Taking account of the impact of Stanwell Newstart and the general housing market, it is assumed that the ongoing level of RTB receipts will be £150k per annum.

In addition to our "mainstream" capital programmes we also set aside in 1996 part of the proceeds from the sale of our housing stock to spend on worthwhile projects within the Borough, (the New Schemes Fund (NSF).

Approximately £15m was set aside initially and this has been supplemented by interest earnings on the balance of the fund since 1996. This fund is now fully exhausted.

Level of Capital Reserves

3.17 Projected capital reserves at 1 April 2015 were as follows:

	2015
Usable Capital Receipts	£1,181k

3.18 The Capital Programme will continue to be financed in the short term by the Right To Buy (RTB) receipts, the capital reserves and the Social Housing Fund. By the end of the year 2016-17 (not taking into account the potential Bridge Street receipt), there are anticipated to be £20m capital reserves remaining.

3.19 The Prudential Code, which came into effect on 1st April 2004, gave us the scope to borrow to fund capital investment. The Council has so far taken the view to date that it will use capital receipts to finance the capital programme, although there may be examples where we might borrow. Prudential borrowing may be appropriate where the capital investment will generate additional income which more than offsets the interest payments incurred, for example some authorities have undertaken prudential borrowing to fund expanded car parking facilities which will generate additional income which would more than offset borrowing costs. If the Council were to look at re-configuring its office accommodation or leisure centre it may need to borrow to facilitate such schemes.

Financial Health Indicators

3.20 Spelthorne has Spelthorne has monitoring agreed indicators useful for monitoring purposes monitoring agreed indicators useful for monitoring purposes. Indicators should cover revenue, capital expenditure and also aspects of the balance sheet .It is therefore recommended that targets be set for capital and revenue outturn, and for debtors and creditors. Linked with the issue of maintaining sufficient reserves to generate a reasonable interest income it is suggested that a target minimum level of reserves is set. The current set of indicators is set out below:

a) Revenue outturn against original budget target: +/- 1.5%.

b) Capital outturn against original budget target: +/- 20%.

c) Council Tax collection target: 98.4%.

d) Business rates collection target: 98.0%.

e) Sundry debts aged more than 90 days overdue no more than 10% of total debts.

f) Payment of creditors within 30 days target: 96.5%

3.21 Clearly we need to take account of the challenging economic climate on the achievability of the above indicators particularly the collection rate (which through business rates and council tax support will feed through directly into the Council's financial position and debt indicators and we will keep these indicators under regular review. Maximising collection of business rates will be particularly important in 2016-17 when we are a member of the Surrey Business Rates Pool and do not have to pay a levy on additional business rates income generated.

In addition to the above there are the existing Prudential and Treasury Management indicators.

4 Financial implications

As in the body of the report.

5 Other considerations

The Council is legally required to set a balanced budget.

6 Timetable for implementation

Late January/early February Government confirms funding settlement including clarify SBC's empty homes allocation for new homes bonus and amount of business rates income we will be allowed to retain

24 February 2016– Detailed budget considered by Cabinet for recommendation to Council

25 February 2016 Council approves Budget and sets council tax

Background papers:
Appendices:

Appendix A

	15/16 original £		16-17 £	17-18 £	18-19 £	19-20 £
Gross Expenditure	55,811,700					
Less: Fees and Charges and Specific Grants (excl Housing Benefits)	9,684,100					
Less: Housing Benefits Grant	31,376,700					
Net Service Expenditure:	**14,750,900**					
Broken down over Portfolios						
Communications and Procurement	215,500		823,300	215,500	215,500	215,500
Community Safety , Young People,Leisure and Culture	123,000		214,600	111,400	95,600	95,600
Finance	3,491,000		107,700	3,488,300	3,488,300	3,488,300
Environment	4,531,900		1,855,800	4,611,400	4,648,400	4,685,400
Housing,Health,Wellbeing and Independent Living	2,736,100		3,736,800	3,050,300	3,460,300	3,516,300
Planning and Corporate Governance	1,663,500		3,739,500	1,695,900	1,794,900	1,626,900
Economic Development and Fixed Assets	1,799,600		2,553,500	1,772,600	1,917,100	2,097,100
Parking Services and ICT	(193,000)		1,195,800	(74,300)	(75,300)	(76,300)
Leader's Portfolio of services	383,300		727,500	348,732	348,398	347,002
	14,750,900		**14,954,500**	**15,219,832**	**15,893,198**	**15,995,802**
Salary expenditure - vacancy monitoring	(300,000)		(300,000)	(300,000)	(300,000)	(300,000)
Pay award			132,000	257,000	382,000	507,000
Full year effect of departures in 15-16				0	0	0
Pensions				0	0	0
Unidentified annual growth			399,400	799,400	1,199,400	1,599,400
Partnership Savings	(40,000)		0	(80,000)	(120,000)	(160,000)
Fees and charges			(75,000)	(150,000)	(225,000)	(300,000)
Efficiencies to offset pay award	(100,000)		(132,000)	(257,000)	(382,000)	(507,000)
Revised Service Expenditure	**14,310,900**		**14,978,900**	**15,489,232**	**16,447,598**	**16,835,202**
NET EXPENDITURE	**14,310,900**		**14,978,900**	**15,489,232**	**16,447,598**	**16,835,202**
Interest earnings	635,000		1,300,000	1,400,000	1,400,000	1,400,000
NET EXPENDITURE AFTER INTEREST EARNINGS	**13,675,900**		**13,678,900**	**14,089,232**	**15,047,598**	**15,435,202**
Appropriation from Reserves:						
Spend to Save (Fordbridge Bowls club)	0		0	0	0	0
Staines-upon-Thames Town Development/TaSF	531,276		400,000	400,000	200,000	0
Elmsleigh Car Park	0		0	0	0	0
Customer Services	0		0	0	0	0
Enforcement Project	0		0	0	0	0
Interest Equalisation reserve	0		0	0	0	0
BUDGET REQUIREMENT	**13,144,624**		**13,278,900**	**13,689,232**	**14,847,598**	**15,435,202**
Retained Business Rates	3,055,700		2,755,700	2,778,000	2,898,000	3,024,000
Revenue Support Grant(incl council tax support grant)	1,330,600		580,000	-10,000	-360,000	-750,000
New Homes Bonus	1,564,400		1,895,600	1,895,600	1,200,000	1,200,000
NHB set aside for Housing initiatives			0	(154,000)	(300,000)	(300,000)
NET BUDGET REQUIREMENT	**7,193,924**		**8,047,600**	**9,179,632**	**11,409,598**	**12,261,202**
Collection Fund (Surplus)/Deficit	(266,400)		(145,900)	0	0	0
CHARGE TO COLLECTION FUND	**6,927,524**		**7,901,700**	**9,179,632**	**11,409,598**	**12,261,202**
Tax base	37,971		38,308	38,691	39,078	39,469
Council Tax rate	182.44		185.98	189.59	193.27	197.01
Council Tax yield	**6,927,524**		**7,124,571**	**7,335,415**	**7,552,500**	**7,776,008**
		Deficit	**777,129**	**1,844,217**	**3,857,098**	**4,485,194**
		Year on year movement	777,129	1,067,087	2,012,882	628,095