

### **The Budget speech of the Leader of the Council, Councillor Ian Harvey, given on behalf of the Leader by Councillor Evans, outgoing portfolio holder for Finance**

Mister Mayor, I am honoured to present on behalf of the Leader and the Conservative administration the Budget Report for the Municipal Year 2016-17, which, despite the extremely challenging funding challenges we face ensures we continue to provide the services to our residents and businesses which they both expect and deserve.

At the last meeting in this Chamber the Leader of the Opposition offered his consolations to the Leader on having to deliver this Budget and the difficult news it would mean to residents. Whilst I fully agree that we face severe funding challenges from Government I am pleased to disappoint the opposition by explaining that we have, once again managed to avoid significant frontline service reductions, whilst acting to protect our Independent Living Services and still balance the budget. In this we have been helped by the delays in the roll out of Universal Credit which means the Council will continue for a while longer through its efficient Housing Benefits team to generate a significant overpayments credit.

You will note that many of the themes in the speech are similar to those of speeches made by previous Leaders, this is because we continue to face the prime challenge of ensuring the Council's financial viability and the options open to us continue to focus around maximising value from assets, generating new income streams and delivering services in new and more efficient ways.

Like most of the UK public sector and particularly local government, this Council is facing a challenging financial future. We were initially facing a

56% reduction (£750k) in our general Revenue Support Grant for 2016-17 and that will be the last year we receive general grant. Spelthorne participated in active lobbying of the Government to express our concerns at the acceleration in funding withdrawal which no-one had anticipated. I am pleased to say that in Greg Clarke Secretary of State for Local Government and Communities we have someone in government who, for a change, listens to local government and responds. To moderate the impact of the revenue support grant reduction we will now receive transition grant of £100,000 in 2016-17 and a further £98,000 in 2017-18.

In the provisional proposals set out in December, from 2017-18 onwards we were due to pay negative grant over to the Government! Surrey councils sadly have been the hardest hit councils by the recent funding announcements. Again I am pleased to say that our Conservative Government has listened to concerns and has dropped negative grant payments for the years 2017-18 and 2018-19 **although at present** we still face the possibility of making a negative grant payment of £750,000 in 2019-20. This reinforces the need for us over the next three years before 2019-20 to reduce our running costs through for example relocating our office accommodation, implementing new models of service delivery and generating ongoing income streams etc.

We recognise and accept that the country had for a number of years been living beyond its means and accept the need for national spending reductions, however this needs to be done in a fair and thought through way. We had put in place carefully considered plans in the form of our *Towards a Sustainable Future programme* to ensure that the Council became financially self sufficient by 2020. With the latest funding announcements we need to accelerate and prioritise this programme. This administration will do its utmost to ensure the ongoing viability and vitality of this Council and its ability to provide services for its residents and businesses. We need to act as the Custodians of the Community's assets. Mr Mayor, with this general background I now turn to specifics/ The **Towards a Sustainable Future** is an ambitious but absolutely necessary programme covering a number of elements including:

- Maximising income from assets both in the form of capital receipts where appropriate which can be reinvested – Bridge Street being an excellent example of generating revenue income streams.
- Being prepared to make strategic asset acquisitions if they will deliver an appropriate investment return for the Council seeking to maximise income and capital growth.
- Investing in housing delivery to address temporary housing accommodation pressures on our revenue budget, seeking to reduce numbers and spend in Bed and Breakfast
- Relocating the Council offices to a smaller more cost effective and efficient location and freeing up Knowle Green to increase housing supply for the Borough and provide an ongoing rental income stream for the Council.
- Restructuring the Council’s management structure to make efficiencies and create better service synergies. I will ensure our structures are fit for purpose and cost effective
- Redesigning services to deliver savings including new innovative delivery models.

In order to deliver the foregoing, it is necessary that appropriate upfront resources are provided through use of reserves. I am confident that the Leader will ensure that when evaluating options we are presented with clear robust business cases to ensure that the decisions most appropriate to support the Council’s financial future are taken. The Leader has given a clear steer that we need to get on with completing the management restructure to enable us to then focus on delivering greater saving through new ways of working and particularly through maximising income streams from our assets.

In the final local government funding proposals announced on 8<sup>th</sup> February the Government extended to all shire districts and borough councils the ability to increase council tax by the greater of 2% or £5 p.a. In our case a £5 increase equates to a 2.7% increase. Given the pressures we are under

including the knowledge that in 2019-20 we face the prospect of negative grant of £750,000, we are after careful consideration, protecting our taxbase by proposing an increase of 2.7% for 2016-17. We will use the additional council tax income (£56,000) generated by increasing by 2.7% rather than the previously planned 1.94%, to ring-fence and set aside to protect the ongoing ability of the Council to delivery key Independent Living Services such as Meals on Wheels, Day Centres and Spelride for the vulnerable in our community.

The Government has withdrawn its council tax freeze grant and its calculations assumes that all councils will put their council tax up by the maximum allowed by the referendum rules.

We do not make this decision lightly and are very mindful of the financial pressures on our residents at this time but given the reductions in our grant funding feel that we have no choice if we are to protect our ability to provide services for our residents. The 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.

The Council's priorities of Economic Development, Planning and Housing and Council Assets have informed the construction of the budget.

We are supporting the process of setting up a Business Improvement District for Staines-upon-Thames in a similar way to Guildford, Kingston and Camberley. This, if voted for by businesses, will generate significant ongoing additional funding, likely to be in excess of £1m over 5 years commencing 2017-18, achieved through a voluntary levy on businesses' business rates which would be used to meet business needs, for example funding events to attract increased footfall, Christmas lights, installation of free Wi-Fi. This additional funding would be ring-fenced solely for the benefit of businesses within the Business Improvement District area.

By protecting our income base we are ensuring that the Council can continue to maintain the support it provides to the voluntary sector which by value totals nearly £400,000 per annum. We strongly value our links with the Voluntary Sector and are very proud to continue to support, despite our

funding challenges, this further example of partnership working to help local residents.

Interest rates continue to remain at historically low levels and with current economic uncertainties are likely to continue at that level for a while longer. The UK Base rate remains at just half of one percent, compared to this on our core investments we earned an average of 5% whilst maintaining a sensible approach to risk. Our diversified investment strategy, which I working with officers and our adviser have helped shape, has continued to do well. An average rate of return of 5% is excellent compared to the 0.5% many councils continue to accept.

With the Bridge Street deal we will see a great increase in our capital reserves during 2016-17 and this in turn will enable us to maintain the capital programme, reinvest to maximise investment income streams and be able to respond to strategic opportunities. We are also looking to finalise a deal to generate redevelopment of the Ashford Multi-Storey Car Park site providing a capital receipt for the Council, regenerating that part of Church Road whilst being mindful to protect public parking capacity.

The Capital programme before the Council includes provision for several strategic acquisition strands.

- First the programme builds in provision for up to £1m to acquire appropriate affordable housing to help ease the Council's housing pressures.
- Second £6m to fund purchase of assets if opportunities arise which can then deliver income streams for the Council- officers are working on a new Corporate Asset Investment Strategy
- Third £7m provision to provide the Council with the ability to move quickly if an opportunity arises within the Borough to acquire new more cost effective offices for the Council. This is in line with the decision by the Cabinet for us to pro-actively seek to acquire existing office accommodation rather than build new accommodation. This potentially will enable the Council to move more quickly to new accommodation,

and represents better long term value than leasing.

- And recognising the value of enabling our older residents to remain independent, we are investing £250,000 in new Spelride buses

It is largely for these reasons that the Capital Programme provision for 2016-17 has been increased to £16.4m.

I am sure you will all agree that our local shopping areas are very important to our residents. The Council has submitted a funding application to SCC, following its recent finalisation of its funding criteria, for £350,000 matched funding for investment in our secondary shopping areas of Ashford, Shepperton, Sunbury Cross and Lower Sunbury.

We will seek to build upon our existing partnerships and are putting in place more focused arrangements for driving forward partnership working with other councils and other partners in both private and public sector. The Council reverted to the national local government employers' pay award annual settlement process. We are aware that the draft employers' pay offer for 2016-17 and 2017-18 equates to an average of 2.4% over two years. This has been built into the budget.

We continue to be disappointed that local government is not being allowed to retain a larger proportion of business rates and in fact over the next four years the proportion of business rates which will be retained in Surrey will reduce. For this Council potentially we retain 6.5% of the total business rates income we collect. Whilst we retain a limited proportion of any additional business rates collected, we are also exposed to additional risks with respect to bad debts and valuation appeals.

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. We participated with four other Surrey councils in an inward investment event in London in October 2015 which has helped raise the profile of the Borough.

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.

Mister Mayor, I would like to now focus on some of the achievements we have made within our priority area of economic development.

A key priority for the Council is actively encouraging economic development. We are actively working to have a strong voice in this region's economic development through working in partnership with the Enterprise M3 Local Enterprise Partnership (LEP).

**Competitiveness:**

In 2010 Spelthorne was rated 61<sup>st</sup> in the UK Competitiveness Index out of 365 local authority areas; the latest Index published in 2013 shows Spelthorne in 13<sup>th</sup> position, beaten only by Mole Valley in Surrey, who moved from 12<sup>th</sup> position to 11<sup>th</sup>.

**New Business Start-ups which implies Confidence:**

A report by Chartered Accounts UHY Hacker Young in November 2015 reveals that Staines-upon-Thames is leading the way as the number 1 location in the UK for business creation, showing the largest increase in the total number of businesses per capita, with 43 more new businesses per 10,000 population than the previous year; the UK average is just 14.

**Planning and Infrastructure Contributions –**

Through new development we continue to secure contributions toward infrastructure, during the calendar year 2015 we received £644,498 in s106 contributions and we are beginning to receive monies via the Community Infrastructure Levy which we introduced last April.

The level of building activity can be a good barometer of the health of a local economy. At the end of December 2015 we had some 720 new residential units under construction on larger sites. At the same time we had a further

520 units with planning permission awaiting a start. This is a level of activity more than twice the scale of what we have seen in recent years. We are also seeing signs of renewed interest in building further commercial development and heightened activity in the letting of existing prestige office space in Staines Upon-Thames. This includes the Staines-upon-Thames UK HQ for pharmaceutical company Baxalta which employs 16,000 people world-wide. The retail sector is also active with the opening of Costco at Sunbury toward the end of 2015 and new applications in Staines. We are working hard with housing partners to bring forward affordable housing units in the most cost effective way possible and we completed some 13 units in just the last nine months. We have a further 36 under construction.

## **Waste**

There is a continued focus on measures to increase recycling and minimise residual waste. Marketing campaigns initiated during the year have already seen the recycling rate edge upwards from 43% in 14/15 to 45% for the first two quarters in 15/16. A localised campaign on food waste saw a 20% increase in the food capture rate. To enhance the service and provide more kerbside collection of recyclables we introduced a textiles and small electrical equipment service. Through external funding we have focused on improvements to the service to flats to encourage recycling by providing information, bags to carry recyclables and adapting bin areas all supplemented by a door knocking exercise. In 2016 we will focus on refining the service to provide it more efficiently in a constrained financial situation whilst looking forward to achieve targets. To help us do this we will be procuring new vehicles as the current ones are at the ends of their lives.

## **Airport expansion**

A major issue facing the Council, the residents and businesses of the borough is the process leading up to the national decision on the future provision of additional runway capacity in the UK. We have made it very clear that whilst such expansion at Heathrow is critical to our local economy, the challenges of noise, air quality, transport, and environmental issues need to be resolved. Clearly we are disappointed that the announcement on additional runway capacity was postponed in December and we hope a decision is made in the summer.



The Council has achieved a number of projects for the benefit of the community in these particularly financially challenging times and include:

**Supporting Families**, the partnership we have undertaken with Surrey County Council and Elmbridge Borough Council and more recently expanded to include Epsom and Ewell has been nationally recognised as an example of best practice. We are now delivering the expanded Phase 2 helping to transform the lives of a wider range of families. I am proud to highlight that our North East Team continues to lead the way supporting the largest number of families in Surrey.

Mister Mayor - I would like now to return to the detail of our budget and Council Tax proposals for 2016/17.

After excluding the £32m of housing benefits fully funded from government grant, our gross service revenue expenditure will be £24.8m. Deducting £10m of specific grants, fees and charges results in a net service expenditure figure of £14.8m. Once we take into account use of specific reserves and well over £1m of investment income our net expenditure next year is projected to be £12.9 million. Grants principally now in the form of New Homes Bonus of approximately £2.6m and net retained business rates of approximately £3.0m produce external funding of around £5.6m million. This leaves £7.3 million to be met from the Council Tax, which, after taking account of a collection fund surplus of £148,000 and a tax base of 38,308 properties at Band D, will require a Band D Council Tax of £187.44 to be levied.

As well as our own very small part of the Band D Council Tax there will be added the precept from Surrey County Council and the Surrey Police. Like the Council both these organisations have faced a similar decision on council tax freeze. Under the new rules announced by the Government's county councils can levy an additional 2% Adult Social Care precept on top of the existing 2% limit to raise additional funds towards the cost of adult

social care. Surrey Police will increase council tax by 2%. Due to the Adult Social Care pressures, Surrey County Council will be using these additional flexibilities. So the Surrey County Council Band D council tax will be £1,268.28 (a 3.99% increase) and Police £220.19 (a 1.99% increase) which gives a total Band D Council tax of £1,675.91, giving a 3.58% increase overall. This means the Borough Council share of the total bill drops even lower to just 11.2%.

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

- Achieving an excellent rate of return on our investments which places us in a good position to reinvest additional capital receipts
- Delivering additional affordable housing including the 29 dwellings opened at the Crooked Billet site before Christmas
- Achieving a very considerable capital receipt for Bridge Street which will be re-invested to generate ongoing income streams
- Progressing the Towards a Sustainable Future programme to ensure that the Council is able to continue to provide the services needed by its residents.

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

Mr. Mayor, if I may add a personal note I would like confirm that due to my County Council workload I have decided, with very considerable reluctance and sorrow to step down from my Finance portfolio role here which I have held for the last five years. I am particularly grateful to my friend the Leader in allowing me the privilege of presenting the Budget here this evening. I would also like to thank all other Cabinet Members as well as the Chief Executive and his management team especially Terry Collier and his team and all the staff for their support and assistance in preparing this budget. I wish the Leader and the Cabinet, and my successor well in steering the Council through the financial challenges which lie ahead.

But more importantly Mister Mayor, I shall end by emphasising our achievements and the progress the Borough has made under our Administration:

- We are successfully delivering on our programme of maximising value from the Council Assets with the very substantial Bridge Street receipt becoming available during 2016-17 to enable strategic acquisition and to be reinvested to generate ongoing income for the Council. Despite the funding reductions we have maintained for our residents the Council's investment in Independent Living services, with the services provided by our Day Centres being expanded in partnership with Surrey County Council. The 2016-17 Capital Programme includes provision to purchase replacement Spelride buses which are so appreciated by our more vulnerable residents.
- We have continued to recognise the importance of ensuring the Council can appropriately respond to and support homeless people in the budget. For the third year running the Budget has incorporated growth to respond to pressures in this area. A practical example being the winter shelter in Staines which by working with SCC we helped to make happen. This not only provides overnight record but has a proven track record through the advice and support provided of helping a significant proportion of the visitors move on into permanent housing solutions.

I now formally move the recommendations of the Cabinet of 25 February 2016, as set out in the first four pages of the Green Book, detailing the precepts by the County Council and Surrey Police and the Band D Council Tax levy for the year 2016-17.

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 to seek to provide services the most vulnerable in our community need.

Thank you Mister Mayor