

**Councillor Ian Harvey and Councillor Williams**  
**COUNCIL TAX SPEECH 2017**

**Cllr Harvey**

Mister Mayor – I am pleased and honoured to present on behalf of the Conservative administration the Budget Report for the Municipal Year 2017-18, which, as result of our successful efforts to substantially improve the Council's income base through acquisition of commercial assets, is a positive budget focused on investing in our staff who deliver our services, investing in maintaining our assets to support service delivery and addresses statutory pressures such as housing.

As pulling together the Budget is a team effort involving both officers and Cabinet members I would like, with your permission Mister Mayor, to break from normal tradition and allow the Finance Portfolio Holder to present the more purely financial elements of the speech.

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

During the last twelve months the Administration and senior officers have successfully acquired the BP International Campus, beating major UK and international institutional players along the way. This was the largest ever single commercial acquisition by a UK council. In so doing we have generated a net additional income stream of approximately £4m per annum to replace lost grants from central government. This has been further increased by our more recent acquisition of Elmbrook House. These acquisitions mean that despite 2017-18 being the first year in which this Council will receive no general Revenue Support Grant from the Government and despite a cut in our New Homes Bonus Grant and funding reductions from Surrey County Council with respect to recycling, we are able to put forward a balanced budget, strengthening our resources and

service delivery capacity. **For the first time since the 1990s, we are putting forward a balanced budget without any use of reserves.**

**So my apologies to my colleagues across the Chamber for giving them one less angle with which to respond to this speech!**

We have not only managed to avoid significant frontline service reductions, but we are investing in staff, assets, and addressing frontline service pressure areas. In fact the budget contains £2.5m of growth. 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** – one of the first things I addressed that my predecessor had inexplicably stalled was to ask my colleague Cllr Colin Barnard to urgently analyse and restart our Towards a Sustainable Future senior management restructure. My Administration completed the process of replacing Heads of Service with a smaller number of Group Heads. This exercise delivered savings in excess of those originally planned.

Without retaining skilled and dedicated staff we cannot deliver our services to our residents. In recent years in a number of professional services we have even lost staff to smaller neighbouring councils.

To tackle this, the Administration is moving the Council back to a Local Pay negotiation regime which will enable us to become a little bit more competitive. We are also building into the Budget £200k for market supplements to be targeted at services which are struggling to retain or recruit staff. We are investing additional budget to strengthen our skills and resources in our Legal and Asset Management teams. This will in turn, help us to grasp further opportunities to acquire appropriate income-generating assets.

**Assets** As previously mentioned, we are investing £150k to build up internal asset management skills. I am also keen to look after our assets. So we are building in an additional £250k into the planned asset management budget to begin to address decades' worth of under investment in the maintenance of assets. We are spending £457k from revenue to refurbish the Elmsleigh

Centre lifts, thereby protecting the valuable income stream this asset provides for the Council.

**Housing** – we are building in additional budget of nearly £300k to ensure that we are able to address external pressures arising from statutory changes. We also have to absorb the anticipated loss of £300k income per annum as a result of the beginning of the roll out of Universal Credit.

Despite generating additional rental income of approximately £4.4m per annum and delivering staffing efficiencies we continue to face the prime challenge of ensuring the Council's financial viability. 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. My Administration will continue to pursue these activities in a business-like manner.

I would now like to pass over to Cllr Howard Williams Portfolio Holder for Finance to explain the finer details of this proposed Budget for 2017-18.

### **Cllr Williams**

Like most of the UK public sector and particularly local government, this Council is facing a challenging financial future. 2017-18 will be the first year for which we do not receive general grant. We face the possibility of having to make a negative grant payment of £750,000 in 2019-20. The New Homes Bonus funding pot has been reduced nationally by a third, with a reduction of £300k in 2017-18 in our allocation. We anticipate this will fall further each year for the next three years. These factors reinforce the need for us over the next two years before 2019-20 to continue to seek-out opportunities to generate additional ongoing income streams and deliver further service efficiencies.

In 2016, the Government extended to all shire districts and borough councils the ability to increase council tax by the greater of 2% or £5 on a Band D council tax per year. 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% or £5 on a band D property for 2017-18.

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.

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 quarter of one percent. Compared to this, on our core investments, we earned last year an average of 5% whilst maintaining a sensible approach to risk. Our diversified investment strategy, on which I am working with officers and our advisers to help shape and further improve, has continued to do well.

An average rate of return of 5% is excellent compared to the 0.5% many councils continue to accept.

Whilst it is true that the 2016-17 Budget had anticipated the realisation of a significant capital receipt on the Bridge Street site, we were ultimately unable to complete the deal on acceptable terms. So, we will take the time to address residual issues relating to the site and identify the best way of developing the site whilst seeking to maximise the Council's stake in any future development. This means we will be looking at options involving the Council developing the site itself or through a joint venture.

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. This Council potentially retains just 6.5% of the total business rates 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 conscious that in Spelthorne many businesses will see significant rises in their business rates bills in April as a result of the national revaluation. We will work hard to explain these changes to businesses. Unfortunately this Council will keep none of the additional business rates generated.

Mister Mayor - I would like now to return to the detail of our budget and Council Tax proposals for 2017/18.

After excluding the £31.8m of housing benefits fully funded from government grant, our gross service revenue expenditure will be £27.6m. Deducting £27.6m of specific grants, fees and charges and rental income streams results in a net service expenditure figure of £1,900 or effectively zero. Once we take into account, assumed vacancy turnover savings of £300,000, interest payable of £8.3m and the statutory requirement to set aside amounts of £4.5m to repay loans (known as Minimum Revenue Provision) ,contributions to reserves of £700,000 and investment income of £900,000, our net expenditure next year is projected to be £12.3 million.

Grants principally now in the form of New Homes Bonus of approximately £1.54m and net retained business rates of approximately £3.0m produce external funding of around £4.6m million. This leaves £7.6 million to be met from the Council Tax, which, after taking account of a collection fund surplus of £167,000 and a tax base of 38,909 properties at Band D, will require a Band D Council Tax, for the Borough Council element of the Council Tax, of £192.44 per annum 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 precept from Surrey Police. Like the Council both these organisations have faced a similar decision on council tax levels. Under the new rules announced by the Government, county councils can levy an additional 3% Adult Social Care precept on top of the existing 2% limit in order 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 to raise a 3% adult social care precept.

In addition the Surrey County Council administration in response to a funding gap is looking to raise its general council tax element by 1.99%. So the Surrey County Council Band D council tax will be £1,331.55 (a 4.99% increase) and Police £224.59 (a 1.99% increase) which gives a total Band D Council tax of £1,748.56, a 4.3% increase overall. This means the Borough Council share of the total Council Tax bill for residents drops even lower to just 11%. I welcome Surrey County Council's decision not to pursue the option of a 15% increase in their large share of the Council Tax bill, which would have placed a much bigger burden on households in the Borough.

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

[Cllr Harvey](#)

Thank you Councillor Williams.

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

We supported the process of setting up a Business Improvement District (BID) for Staines-upon-Thames in a similar way to Guildford, Kingston and Camberley. We are very pleased to note that a substantial majority of the Staines-upon-Thames businesses voted in favour of the BID which will now go live on 1<sup>st</sup> April and which will generate and reinvest in the town an additional £1.6m over 5 years in initiatives designed to increase footfall and the economic prosperity of town.

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 approximately £329,000 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.

We were saddened at the demise of Voluntary Action in Spelthorne but working with our funding partners the County Council and the Clinical Commissioning Group we are working hard to ensure appropriate arrangements are in place to ensure a coordinated approach to maximising the value of volunteers across the Borough is continued.

We are 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.

- We will carry forward provision to enable us to respond if further appropriate commercial asset opportunities arise. We have also built in provision of a further £200 million for potential acquisition of low risk income generating assets if opportunities arise. It is important that we have the flexibility to grasp opportunities whilst interest rates remain relatively low.
- The programme builds in provision for up to £1m to acquire appropriate affordable housing to help ease the Council's housing pressures.
- £7m provision to provide the Council with the ability to reconfigure Knowle Green as part of a masterplan also encompassing the Leisure Centre. This is to enable us to reduce our running costs, facilitate housing but also retain our civic heritage.

It is largely for these reasons that the Capital Programme provision for 2017-18 has been increased to £210.3m.

I am sure you will all agree that our local shopping areas are very important to our residents.

The Council successfully submitted a funding application to Surrey County Council for £120,000 of matched funding for investment in our secondary shopping areas of Woodlands Parade Ashford, Clare Road Stanwell,

Groveley Road Sunbury-on-Thames and Edinburgh Drive Staines-upon-Thames. The delivery of the current projects will be completed in 2017-18. Over the course of the next 3 years Spelthorne will be bidding for a further £230,000 from Surrey County Council which we will match fund to further improve the vitality of our secondary shopping areas.

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.

My Administration has decided to revert to a local pay award annual settlement process. We are making a two percent pay increase to our staff for 2017-18 (though for 17/18 1% of this comes from the existing National Pay Award agreement and an additional 1% on top of this is being offered). This has been built into the budget.

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 coordinated in partnership with other with other Surrey councils a stand at MIPIM 2016 – the UK's foremost inward investment event in London. This helped further to raise the profile of the Borough. Our display about the BP site acquisition attracted particular interest including from the Secretary of State for Communities and Local Government, Sajid Javid MP.

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. We believe the re-alignment of our management accountabilities will help improve focus on delivering these objectives.

Mister Mayor, I have rightly majored 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).
- **New Business Start-ups which implies Confidence** In 2015 Staines-upon-Thames was the number 1 town in the whole of the UK for net new businesses per 10,000 population. In October 2016 a similar study was carried out by Local Authority areas.

Spelthorne was identified as the number 6 place in the UK for new businesses with 32 per 10,000 population compared to a UK average of just 12.

- **Airport expansion** - This continues to be a major issue facing the Council, residents and businesses of the Borough. We welcome the decision of the Government to consult on a third runway at Heathrow as its preferred option and this started earlier this month. The Chief Executive and myself are ensuring that the concerns of the Borough are effectively represented. 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.
- **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 308 net additional dwellings constructed - double what was built five years ago. 124 of

these were 'affordable' dwellings.

We also had 438 dwellings under construction and planning permissions for a further 631 dwellings. 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.

- In November our new Landlord Guarantee scheme, designed to increase the supply of private rental accommodation in the Borough went live. Whilst early days I am pleased we have already had a good initial response with three landlords already signed up.
- Last May the Council acquired through its newly created housing delivery company Knowle Green Estates, the emergency accommodation bed and breakfast Harper Hotel. This gives the Council 100% nomination rights to the units in the establishment whereas previously we were in competition with London boroughs. The Council will be undertaking work to improve the standard of the accommodation and to increase the number of units.
- **Churchill** – the Council is progressing an application to develop 3 housing units on the Churchill Hall site to add to the supply of affordable housing.
- **Bugle** – the Council is bringing forward plans to develop market rental units on the existing planning footprint of the Bugle site, with the income generated to be re-invested into emergency and affordable housing. At the same time the hidden jewel of the lake behind the frontage will be properly enhanced and maintained for community benefit.
- For the fourth year running the Budget has incorporated growth to respond to pressures in this area. A practical example being the winter shelter in Staines-upon-Thames which by working with SCC we helped to make happen for a second year running. This not only provides overnight accommodation but has a proven track record through advice and support of helping a significant proportion of the visitors move-on to permanent housing solutions.

## 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 2016 we saw a rise in our recycling rate from 45.5% to 47.9%. This is good news and has changed our order of ranking with other Surrey boroughs from 11<sup>th</sup> to 9<sup>th</sup>. The increase was mainly attributed to the various recycling campaigns that have been run in the Borough throughout the year. Looking to 2017 we will be introducing a new and improved service to all of our residents which will see recycling, electricals and textiles as a “3 in 1” collection on a weekly basis, with the ultimate aim of reaching the 50% capture rate. We see communication as an essential tool to help our residents find out what they can do to help make a difference to our environment every day and will soon be starting a new campaign focused on the new service.
- The cost of waste disposal continues to rise and it is ever more important that the amount of waste sent to landfill and/or incineration reduces. To achieve this we will continue to work with Surrey County Council and the Surrey Waste Partnership to find ways to reduce these costs to the tax payer.

Mister 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 which places us in a good position to reinvest additional capital receipts.
- Transforming the financial position of the Council through the successful acquisition of the BP International Campus.

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

I would like to thank Councillor Howard Williams but also all other Cabinet Members, as well as the Chief Executive and his Management Team,

especially Terry Collier, his financial colleagues, and indeed all the staff who have assisted in preparing this budget.

I now formally move to the recommendations of the Supplementary Agenda of the Cabinet on 23 February 2017, showing the final version of the original Budget Book at pages 3 to 6 of the agenda, detailing the precepts by the Surrey County Council and Surrey Police and the Band D Council Tax levy for the year 2017-18.

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 to 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 Mister Mayor