



COUNCIL MEETING – 23 FEBRUARY 2017

BUDGET 2017-2018

For the Financial Year Ending 31 March 2018

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Cabinet

22 February 2017



Title	Detailed Revenue Budget for 2017/18		
Purpose of the report	To make a recommendation to Council on a Key Decision		
Report Author	Adrian Flynn		
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 2017/18.		
Recommendations	<p>The cabinet is asked to recommend that Council consider and approves :</p> <ol style="list-style-type: none"> 1. The growth and savings items as set out in the report's appendices. 2. The Council tax Base for the whole council area for 2017-18.[Item T in the formula in Section 31b(3) of the local government Finance Act 1992, as amended (the "act")] should be 38.908.60 band D equivalent dwellings and, 2.1 Calculate that the Council tax requirement for the Council's own purpose for 2017-2018 is £192.44 Per Band D equivalent dwelling. 3. To approve a 2.7 % or (£5) increase in the Spelthorne Borough Council element of the Council tax for 2017-18. 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 2017/18. c) To agree that the council tax base for the year 2017/18 is 38,908.60 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 2017/18 in accordance with Section 31 to 36 of the Local Government Act 1992.

A	71,540,160	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	64,052,589	Being the aggregate of the amount which the Council estimates for the items set out in Section 31A(3) of the Act
C	7,487,571	Being the amount at 3(c) above (Item R), all divided by Item T (2 above) calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of it's Council tax for the year (including Parish precepts)
D	192.44	Being the amount at 3(c) above (item R), all dividend by item T(2above) 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	192.44	Being the amount at 3(d) above less the result given by dividing the amount at 3 (e) above by Item T(2 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 2017/18 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
£	£	£	£	£	£	£	£
128.29	149.67	171.06	192.44	235.20	277.97	320.73	384.88

Being the amounts given by multiplying the amount at (e) 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 2017/18 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
	£	£	£	£	£	£	£	£
1) Surrey County Council	887.70	1035.65	1183.60	1331.55	1627.45	1923.35	2219.25	2663.10
2) Surrey Police	149.71	174.67	199.62	224.57	274.47	324.38	374.28	449.14

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 set out in Appendix 6 as the amounts of Council tax for the year 2017/18 for each of the categories of dwellings on Appendix 3.

The Council has determined that its relevant basic amount of Council Tax for 2017/18 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 2017/18 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 2017/18 revenue budget shows a very positive picture in that for the first time in a decade a balanced the budget has been put forward without the use of reserves with investment being made in retaining staff, addressing resourcing issues in areas like Legal and Assets and also maintaining the Council's assets.
- 1.2 Appendix 1 summarises the current draft detailed Budget proposed for 2017-18. After allowing for Housing Benefit the gross budget is financed as follows,
 - Fees and Charges and rental Income

- Revenue Support Grant & Business Rates
- Council Tax

Grant Settlement

- 1.3 The Government grant settlement confirmed that Spelthorne would no longer be receiving any general grant support for 2017/18 which is a cut of £580k from 2016/17.

Council Tax and Capping

- 1.4 It has been confirmed that the referendum limit will remain either at 2% or a maximum rise of £5 for shire districts and boroughs although counties and unitaries will be able to levy an additional 3% for adult social care and the police can increase by 2%. 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 2.7%) which provides an additional £194k per annum.

Basis of preparation of Detailed Budget

- 1.5 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 down to just the absolute essentials. Appendices 2 and 3 contain a list of the major changes included.
- 1.6 Pay and price levels – the estimates have been prepared at pay and price levels ruling at December 2016 including an average increase of 2% for salaries and wages from 1st April 2017.

Inflation has been included in respect of contracts where appropriate

Pensions

- 1.7 Following the triennial valuation of the Surrey Local Government Pension Fund as at the 31st March 2016, it is necessary for employers to increase their lump sum employer contributions to cover an increase in the 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 2017/18 these contributions will rise by £51k. This a more moderate rate of increase than under the previous three years.

Fees and charges

- 1.8 All fees and charges have been reviewed. See separate report on the agenda.

Income Generation

- 1.9 The budget forecasts have reflected the performance of the Council's income over the last two years during which time income levels have held up despite the general economic pressures. As part of the 2016/17 budget monitoring officers have been keeping the Council's various income streams under continuous review, particularly car parking our largest fee earning area, and this has impacted on the level of in year saving's required to balance the 2017/18 budget. Income has generally held up well, with Building Control, Green waste bin and school waste income doing particularly well and additional income has been included in the detailed estimates where it was seen to be achievable and potentially ongoing. It is estimated that the net additional income to be raised from fees and charges for 2017/18 is £143k.

Contingencies

- 1.10 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

- 1.11 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 5.5% as at the 31st December 2016 which is a very good rate of return when compared to base rate of 0.25%.
- 1.12 Returns on maturing cash deposits are currently within the range of 0.30 to 0.90% and the average overall return on investments is expected to be around 3.3%

Investment Income

- 1.13 The Cabinet has separately received on the January meeting agenda the Annual Investment Strategy and Treasury Management Report for 2017/18 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.
- 1.14 Leading market forecasters, including Arlingclose, the Council's treasury advisors, expect the base rate to remain at 0.25% until at least the 1st quarter of calendar year 2018.

Use of Reserves

- 1.15 The change in the financial sustainability of the authority as a result of the recent investment property purchases means that for the year 2017/18, the authority will not need to draw on its Reserves in order to balance the budget. This is the first time this has been achieved for more than a decade.

Growth Items

- 1.16 Appendix 2 summarises the main budget growth and unavoidable expenditure pressures. This highlights that additional spending pressures or reduced income streams totalling £2.5m have been identified.

- 1.17 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
 - The extent to which it supports corporate priorities
- 1.18 There are a number of areas of new or increased expenditure items included in the 2017/18 budget and some of these are highlighted below:
- Additional resources to meet statutory Housing pressures
 - Reducing Housing Benefits overpayments credits
 - Upgrade of Elmsleigh Centre lifts & replacement tiles.
 - Business rates increases across all Council properties as a result of the national revaluation.
 - Changes to Streetscene budgets to take account of increases in waste disposal gate fees, reduced recycling credit income.
 - Additional resources to counter fraud.
 - Address staff recruitment and retention issues.

Savings

- 1.19 In total savings of approximately £4.5m have been found. The savings include one off Business Improvement District (BID) area set up costs, Memorial resetting in our cemeteries and increased rental streams. 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.
- 1.20 The salary savings target for 2017/18 will remain the same at £300k.

Precepts

Surrey County Council at its meeting on the 7th February set a Band D council tax of £1331.55 Representing a 4.99% increase and Surrey Police at its tax setting meeting on the 7th February set a band D council tax of £224.57 representing a 1.99% 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 increase of £5 which is equivalent to 2.7 % 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, 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.
- 4.2 The nature and size of our revenue budget carries a degree of risk, this is particularly the case in the current economic climate.
- 4.3 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. Those balances are expected to total approximately £14.5m as at the 1st April 2017. However a number of these balances are earmarked specifically for social housing and the new scheme fund. The uncommitted funds stand at **£800k**. 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.
- 4.4 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.
- 4.5 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
Recycling Credits – falling values of recyclable materials	Reliance on interest earnings to balance the budget.
Staines town centre rents	Ability to deliver Towards a Sustainable Future objectives in accordance with planned timetable
Down turn in property development market	
Increased Gate fees for disposing of waste materials	
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 23 February 2017.

Background papers: None

Appendices: 1 & 2

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2017/18 Revenue Budget				Appendix 1
	16/17	17/18 Draft		
	original	Expenditure	Income	Net
	£	£	£	£
Gross Expenditure				
Less: Fees and Charges and Specific Grants (excl Housing Benefits)				
Less: Housing Benefit Grant				
Net Service Expenditure:	0			
Broken down over Portfolios				
Leader of the Council	835,700	1,404,500	273,500	1,131,000
Deputy Leader	535,500	561,600	11,000	550,600
Corporate Management	1,711,900	2,147,600	44,300	2,103,300
Housing	1,037,200	35,125,700	33,453,800	1,671,900
Finance and Customer Service	3,571,700	4,085,500	324,400	3,761,100
Planning and Economic Development	2,707,200	4,839,700	19,453,700	(14,614,000)
Environment and Compliance	4,605,900	9,197,800	4,031,000	5,166,800
Community Wellbeing	88,100	2,323,400	2,092,200	231,200
				0
	15,093,200	59,685,800	59,683,900	1,900
Salary expenditure - vacancy monitoring	(300,000)	(300,000)	0	(300,000)
Partnership Savings		0	0	0
Pay award	132,000	0	0	0
Efficiencies to offset pay award	(132,000)	0	0	0
				0
Service Expenditure	14,793,200	59,385,800	59,683,900	(298,100)
Less Support not charged to revenue	0	0		0
				0
Revised Service Expenditure	14,793,200	59,385,800	59,683,900	(298,100)
NET EXPENDITURE	14,793,200	59,385,800	59,683,900	(298,100)
Interest earnings	1,150,000	0	900,000	(900,000)
Debt Interest Payable		8307000	0	8,307,000
Minimum Revenue Provision		4482100	0	4,482,100
NET EXPENDITURE AFTER INTEREST EARNINGS	13,643,200	72,174,900	60,583,900	11,591,000
Appropriation from Reserves:				
Reserves - General	0	0		0
Staines Town Development /TaSF	786,000	0	0	0
Independent Living Service Reserve	(55,962)	0		0
Refurbishments Reserve Contributions		700,000		700,000
BUDGET REQUIREMENT	12,913,162	72,874,900	60,583,900	12,291,000
Retained Business Rates	3,009,000	0	3,009,000	(3,009,000)
Revenue Support Grant(incl council tax support grant)	580,000	0	0	0
Transition Grant	100,000	0	96,000	(96,000)
New Homes Bonus	1,895,600	0	1,530,900	(1,530,900)
NET BUDGET REQUIREMENT	7,328,562	72,874,900	65,219,800	7,655,100
Collection Fund (Surplus)/Deficit	(148,000)	0	167,493	(167,493)
CHARGE TO COLLECTION FUND	7,180,562	72,874,900	65,387,293	7,487,607
Tax base	38,308	0	38,909	38,909
Council Tax rate	187.44	0	192.44	192.44
Council Tax yield	7,180,562	0	7,487,607	7,487,607

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Revenue Budget 2016/17 to 2017/18				
			Original 16/17	Planned 17/18
			£	£
				Change to 16/17
				£
Corporate Governance			54,300	57,800
Democratic Rep & Management			291,900	369,700
Elections			10,200	10,200
Electoral Registration			214,700	231,600
Land Charges			(123,100)	(100,700)
Legal			291,500	461,100
People & Partnerships			96,200	101,300
Leader of the Council			835,700	1,131,000
Corporate Publicity			220,300	224,400
Emergency Planning			103,600	103,600
General Grants			198,600	209,600
Research & Consultation			13,000	13,000
				0
Deputy Leader			535,500	550,600
Corporate Management			189,400	398,500
Human Resources			198,100	228,300
Information and Comms Technology			779,900	839,800
Payroll			53,200	54,800
Project Management			491,300	581,900
Corporate Management			1,711,900	2,103,300
Homelessness			629,400	657,200
Housing Benefits Administration			227,700	255,800
Housing Benefits Payments			(572,000)	(172,000)
Housing Needs			752,100	930,900
Housing			1,037,200	1,671,900
Accountancy			411,800	435,400
Assistant Chief Executives			232,400	246,600
Audit			87,200	134,600
Chief Executive			199,300	205,100
Committee Services			149,500	117,600
Customer Services			814,400	874,900
Insurance			222,700	234,700
Secretariat & Support			107,800	114,600
Print Unit			82,900	82,900
Unapportionable Central Overheads			1,263,700	1,314,700
Finance and Customer Service			3,571,700	3,761,100
Asset Management Administration			749,900	(17,082,800)
Building Control			(15,300)	3,100
Bus Station			28,000	28,000
Economic Development			246,100	130,400
General Property Expenses			(6,700)	(700)
Knowle Green			422,100	712,700
Planned Maintenance Programme			729,900	979,900
Planning Development Control			299,900	359,200
Planning Management			210,000	140,000
Planning Policy			283,300	356,200
Staines Town Centre Management			(240,000)	-240,000
				0
				0

Revenue Budget 2016/17 to 2017/18				
			Original 16/17	Planned 17/18
			£	£
				Change to 16/17
			£	£
Planning and Economic Development			2,707,200	- 14,614,000
				- 17,321,200
Abandoned Vehicles			3,500	3,500
Allotments			(13,100)	-14,100
Car Parks			(786,900)	-694,400
Community Safety			216,600	243,100
Depot			66,500	66,700
Direct Services Managemnet and Support			625,300	942,600
Energy Initiatives			9,500	9,500
Enviornment Services Administration			305,200	0
Enviromental Health Administration			755,100	821,800
Environmental Enhancements			21,000	21,000
Enviromental Protection Act			19,600	41,600
Food Safety			(1,700)	-1,700
Grounds Maintenance			1,754,800	1,792,600
Licensing			2,800	4,900
Nursery			1,000	1,000
Parks Strategy			(3,600)	31,200
Public Conveniences			30,700	30,700
Public Health			(5,000)	-5,000
Refuse Collection			1,319,300	1,366,500
Rodent and Pest Control			14,700	16,900
Staines Market			(205,100)	-140,100
Staines Metro Commons				0
Street Cleaning			879,100	903,900
Taxi Licensing			(73,700)	-75,700
Technical Projects				0
Waste Recycling			(335,200)	-205,200
Water Courses & Land Drainage			5,500	5,500
				0
Environment and Compliance			4,605,900	5,166,800
				560,900
Active Lifestyle			3,400	3,400
Arts Development			28,300	28,300
Cemeteries			(291,600)	(294,000)
Community Care Administration			167,600	266,900
Day Centres			220,500	211,500
Events			2,000	2,000
Leisure Administration			196,200	202,700
Leisure Promotions			(46,200)	(46,200)
Meals on Wheels			(17,200)	(6,400)
Museum			(3,400)	(3,400)
Public Halls			(49,900)	(49,900)
Resource Centre			12,200	12,200
Safeguarding			1,000	1,000
SAT			95,000	125,200
Span			(82,500)	(80,200)
Spelthorne Leisure Centre			(180,000)	(180,000)
Spelthorne Troubled Families			0	5,400
Sports Development			8,200	8,200
Sunbury Leisure				0
Youth			24,500	24,500
				0
Community Wellbeing			88,100	231,200
				143,100
Totals			15,093,200	1,900
				(15,091,300)

GENERAL FUND SUBJECTIVE ANALYSIS										
	Leader	Deputy Leader	Corporate Management	Housing	Finance and Customer Service	Planning & Economic Development	Environment & Compliance	Community Wellbeing	General Fund	Total
	£	£	£	£	£	£	£	£	£	£
Employees	827,100	134,800	1,396,300	1,445,100	3,234,100	1,643,300	4,231,800	1,637,700	(300,000)	14,250,200
Premises				44,700	92,500	1,656,900	2,608,900	201,500		4,604,500
Transport	1,900	600	4,700	16,800	126,800	34,900	1,125,000	93,500		1,404,200
Supplies and Services	575,500	426,200	713,600	106,700	609,000	1,439,000	508,600	368,700		4,747,300
External Contracts			33,000	1,740,400	23,100	65,600	723,500	22,000		2,607,600
Benefit Payments				31,772,000						31,772,000
Support to Capital										0
TOTAL EXPENDITURE	1,404,500	561,600	2,147,600	35,125,700	4,085,500	4,839,700	9,197,800	2,323,400	(300,000)	59,385,800
Government Grants				(31,944,000)		0				(31,944,000)
Rents & Other Income	(273,500)	(11,000)	(44,300)	(1,509,800)	(324,400)	(19,453,700)	(4,031,000)	(2,092,200)		(27,739,900)
TOTAL INCOME	(273,500)	(11,000)	(44,300)	(33,453,800)	(324,400)	(19,453,700)	(4,031,000)	(2,092,200)	0	(59,683,900)
NET EXPENDITURE	1,131,000	550,600	2,103,300	1,671,900	3,761,100	(14,614,000)	5,166,800	231,200	(300,000)	(298,100)

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CALCULATION OF THE BASIC COUNCIL TAX FOR 2017/18			
FOR SPELTHORNE'S OWN EXPENDITURE			
The Council's Tax Base for 2016/17			38,908.79
		£	£
Expenditure for the year			59,385,800
Add	Transfers to Refurbishment Reserve		700,000
	Debt Interest Payable		8,307,000
	Minimum Revenue Provision		4,482,100
Gross Expenditure for the year			72,874,900
Less:	Gross Income for the year	59,683,900	
	Interest on Balances	900,000	
	Transfers from Earmarked Reserves	0	
	New Homes Bonus	1,530,900	
			62,114,800
The Council's net expenditure			10,760,100
Less:	Retained Share of Business rates Non-Domestic Rates	3,009,000	
	Revenue Support Grant	96,000	
			3,105,000
	Estimated surplus on Collection Fund from Council Tax Collections	167,493	167,493
Net Sum to be recovered through Council Tax			7,487,607
Expressed per equivalent Band D property (ie divided by 38,308.21)			£192.44

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CALCULATION OF COUNCIL TAX FOR DIFFERENT VALUATION BANDS FOR 2017/18									
SUMMARY									
VALUATION BAND		A	B	C	D	E	F	G	H
1.	Precepts issued to the Council								
	i) Surrey County Council	887.70	1035.65	1183.60	1,331.55	1627.45	1923.35	2219.25	2663.10
	ii) Surrey Police	149.71	174.67	199.62	224.57	274.47	324.38	374.28	449.14
2.	Spelthorne's Council Tax	128.29	149.67	171.06	192.44	235.20	277.97	320.73	384.88
3.	The total of items 1 and 2 above, which is the full Council Tax for 2016/17	<u>1,165.70</u>	<u>1,359.99</u>	<u>1,554.28</u>	<u>1,748.56</u>	<u>2,137.12</u>	<u>2,525.70</u>	<u>2,914.26</u>	<u>3,497.12</u>

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