

**Councillor Ian Harvey and Councillor Williams**  
**COUNCIL TAX SPEECH 2019**

Cllr Harvey

Madam Mayor – I am pleased and honoured to present, on behalf of this Conservative administration, the Budget Report for the Municipal Year 2019-20, and to reflect on the achievements of our administration over the last year in maintaining the Council's finances on a sustainable basis, protecting and enhancing delivery of services and starting to deliver much needed affordable homes for our residents.

For the third year running **we have set a below inflation council tax increase [ when compared to RPI]** whilst delivering a balanced budget without the use of reserves. For the second year running we have kept our capital financing on a more sustainable basis by making a revenue contribution to fund non-income generating capital expenditure. We continue to focus on investing in our staff, assets and services to ensure we can deliver the high- quality services our residents and businesses deserve.

As pulling together the Budget is a team effort involving both officers and Cabinet members I would like, with your permission Madam Mayor, to ask our Finance Portfolio Holder to present the detailed financial elements of the speech in a moment.

On the agenda of this Council we also have the draft Capital Strategy approval, which has been reviewed and commended through a scrutiny process led by our Overview and Scrutiny Committee.

The Capital Strategy clearly articulates the journey we have been on from generating additional income to closing the Council's underlying Budget gap, to generating income to offset revenue impacts of the initial stage of our housing delivery programme, to where we are now where we feel we do not presently need to seek further purely commercial investment acquisitions. We will instead focus on delivering homes and regeneration within the Borough. Over the next 5 years we are looking

to deliver more than 600 new homes. Our Finance Portfolio Holder will talk in more detail later about the Capital Strategy.

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

During the last twelve months, this Conservative Administration and senior officers have continued to build on the achievements of the previous year by further growing our commercial property portfolio to generate a significant and sustainable income stream for the Council. This enables us to offset revenue impacts of our housing delivery programme. Our commercial property portfolio value is now approximately **£1billion** and is generating an ongoing net revenue contribution of **£10m per annum** to support the provision of services. This is after meeting all costs including interest, which for clarity is fixed for the duration of all loans, and crucially capital repayments. This has offset the very substantial loss of grant income from central government and other funding cuts and has enabled us to address the impact of new service delivery challenges such as the Homelessness Reduction Act, taking effect last April, and to address organisational resilience issues.

During 2018-19, we acquired from Brockton Capital, 3 best in class offices in Reading, Slough and Uxbridge. People may be wondering about the location of these acquisitions. All three are very much within the Heathrow economic functional area which is a major driver of the prosperity of the Borough. They are all relatively close, with Reading being the furthest away from here at 30 miles. All three are located close to key transport infrastructure being opposite or next to railway stations. Reading will benefit from Cross Rail. Unlike our previous acquisitions at the point of acquisition they were not fully let, however they come with rent and rates guarantees for two years for two of them and four year guarantees for the third and we have already let more than 16,000 sq feet of the initial vacant space, with interest being shown in a further 172,000 sq feet equivalent to 70% of the initial vacant space. We are employing agents to actively market the available space and we have a strong pipeline of

interest. We are on track to be fully let on all three before the guarantees expire. As has been explained to Councillors at several sessions at our Overview and Scrutiny Committee, these acquisitions have been underpinned by extensive due diligence and worst case scenario modelling. I know some people find it difficult to get their heads around how we have been able to afford to borrow so much money and why we have been doing so. Firstly, we can fix long term loans at extremely low rates of interest by borrowing from the Public Works Loan Board. Secondly, we are making very prudent investments which will deliver income that more than covers interest, capital repayments and management costs. We have taken particular care to assess the sites we have purchased ensuring they are located in areas which will continue to be in demand in the future, for example by selecting sites close to key transport infrastructure. We have also very carefully evaluated the financial health of prospective tenants in our commercial assets and continue to do so on an ongoing basis to pick up early warning signs. We borrow to acquire prime assets in order to deliver long-term robust income streams which are being used to continue to support the provision of services and to fund the first phase of our housing delivery programme.

It is important to stress once again that we are not investing in order to benefit from increases in the sales values of these properties. We are not “betting on the property market” as some ill-informed, and presumably politically motivated, commentators have suggested. We are investing for the rental income these properties generate, which is guaranteed for the long term – typically 10 to 25 years at the time of purchase.

These acquisitions mean that we are able to put forward a balanced budget, strengthening our resources and service delivery capacity even though 2019-20 will be the third year in which this Council will:

- receive no general Revenue Support Grant from the Government;
- have a 21% (£198 thousand pounds) cut in our New Homes Bonus Grant;

- and reduced funding from Surrey County Council for recycling and Independent Living support – to date approximately a five hundred thousand pounds.

I am pleased to say that, for the third year running, **we are putting forward a balanced budget without any use of reserves. Indeed we are adding £6m to reserves which contribute to our commercial assets sinking funds. The fact that we are adding to reserves rather than drawing them down like a number of Councils is reflected in a good set of scores from the new CIPFA resilience index.**

Not only are we putting our revenue budget on a sustainable basis, we are also maintaining the funding of our Capital Programme on a more sustainable footing after decades of relying on selling assets and spending capital receipts. For the second year running, we are ensuring that capital spending, which is not funded by specific grant and which does not generate future income streams (for example housing development) or cashable savings, will be funded from revenue contributions to capital. In this budget there is a seven hundred and forty seven thousand pound revenue contribution towards Capital.

In contrast to our position of continuing to maintain our budget on a sustainable basis, Surrey County Council faces very significant financial pressures and is balancing its 2019-20 budget by a combination of £82m of service transformations, use of reserves and additional income from business rates. This has had a knock-on adverse impact on the Surrey districts and boroughs, such as ourselves. Since 2017-18 Surrey County Council cuts have effectively switched £five hundred thousand pounds, of expenditure from Surrey's budget to Spelthorne's, and this figure will no doubt increase in future years.

This Councils has actively responded to the five consultations recently undertaken by Surrey County Council on service changes including Children Centres. We have robustly sought to ensure that the needs of our residents are heard and taken into account in any service changes. We have not only managed to avoid significant frontline service reductions, but we are investing in staff, assets, and

resilience. The main areas of investment in this budget relate to Staffing, Environmental Health and ICT which I will now say a bit more about before describing the context of the Budget:

## **Staffing**

We need to retain skilled and dedicated staff in order to deliver our services to our residents. In recent years we have lost staff even to smaller neighbouring councils in a number of professional service areas. I am pleased to say that our Council has successfully negotiated with the local Unison branch a Collective Agreement for pay and conditions. This will enable us to flexibly respond to the local circumstances facing this Council and to seek to make fair pay increases which will assist us in recruiting and retaining staff. Subject to affordability, we will seek to at least match the headline national employers' percentage increase going forwards.

We have built in provision to cover up to 2.5%, into the budget for 2019-20 for the first pay increase under the Collective Agreement, the cost of this is three hundred and thirty thousand pounds.

We are investing additional funds to strengthen our skills and resources in our Environmental Health, and ICT teams.

Despite generating an additional rental income since 2016-17 of approximately by now, ten million pounds per annum, and delivering staffing efficiencies, we continue to face the primary challenge of ensuring the Council's financial viability in the face of national future uncertainty. The options open to us are maximising value from assets, generating new income streams and delivering services in new and more efficient ways. Our Administration will continue to pursue all of these activities in a business-like manner.

I would now like to pass over to Cllr Howard Williams, our Portfolio Holder for Finance, who will explain the finer details of this proposed Budget for 2019-20.

Like most of the UK public sector and particularly local government, this Council is facing a challenging financial future, not only because of expected future cuts but also because of financial and economic uncertainty. 2019-20 will be the third year we do not receive **any** revenue support grant whilst being expected to take on additional service responsibilities, such as those required under the Homelessness reduction Act. We have been facing the prospect of having to pay the Government a grant of seven hundred and fifty thousand pounds, ie effectively a negative grant. We are pleased to say that the Government listened to the representations of ourselves, other Surrey Councils and similarly affected Councils and has dropped the proposals for now. However beyond 2019-20 we and local government as a whole face significant funding uncertainties as we await the outcome of the Spending Review in the summer of this year which will determine how much the Treasury will allow the Ministry of Housing Communities and Local Government to let councils retain the taxes, fees and charges they earn. We then also have the so called Fair Funding Review which will determine how that pot is divided up, and then we have the implementation of the so called “75 per cent” business rates retention scheme nationally. Under the business rates retention scheme we believe there is a significant risk there will be a transfer of funds away from Surrey councils and also from lower tier districts and boroughs to upper tier counties. We also anticipate that the Treasury will seek to recover the £750k per annum “negative grant” from us in the guise of another “initiative”. In our outline budget projection we are assuming a reduction in our funding allowed by central government of more than £1.5m

In the last two years we have started to experience adverse knock-on impacts from Surrey County’s financial difficulties including reductions in funding from County for independent living services and reductions in our recycling income. Current estimates put the cost of these cuts at five hundred thousand pounds to Spelthorne. Additionally of course we face inflation pressures which for some supplies have been significant for the last year. A “perfect storm” of continuing cuts and large cost

increases in supplies brought on by Brexit uncertainty could be around the corner. These factors reinforce the need for us to continue to seek out opportunities to generate additional ongoing income streams and deliver further service efficiencies over the next two years.

Before I focus on our Revenue Budget I would like to touch on our Capital Strategy and the approach we have taken to managing risks with respects to commercial asset acquisitions we have made. As the Capital Strategy makes clear, contrary to the impression given by some media coverage, having successfully closed the underlying revenue gap created by withdrawal of government funding, we are ceasing to actively pursue commercial acquisitions out of the Borough and are now focused on driving regeneration and housing delivery within the Borough. As well as acquiring the high-value, high-profile income-generating commercial properties focused on by the media, we have also been buying smaller, strategic sites in the borough that can be converted into residential properties. We now have sufficient land and property as a result of these smaller, strategic acquisitions to provide over 600 new homes over the coming 5 years. The focus of any finance-raising initiatives will therefore be on shorter term requirements to cover shorter term cost pressures. We will continue to manage very carefully our commercial property portfolio, with regular reports on the Portfolio as a whole, monitoring the financial health of tenants, and using internal and external expertise to manage the properties. We are currently setting aside £6m per annum to build up our sinking funds to cover future risks.

I echo the Overview and Scrutiny Committee in commending the Capital Strategy document. The Strategy clearly sets out the journey we have been on with regard to acquisitions and now with respect to delivery of housing to meet the needs of our residents. The Strategy sets out how we manage risk. We are aware that there has been some critical press coverage of our approach to acquisitions, but one has to query the motivations behind some of these reports and also to recognise that a number of these reports have been ill-informed and very misleading. Every policy we follow, every action we take is put in the public as is our Capital Strategy. It is written with the layperson in

mind, no specialist knowledge is needed to understand it and it will be available on the council's website. We also invite those who criticise our strategy to offer their valid alternatives.

Just before Christmas last year, the Government announced further loosening of the controls over council tax increases, but only for Police and Crime Commissioners who will now be allowed to increase Band D council tax by up to £24. The limits of (the greater of) 3% or £5 per year on a Band D property remain applicable to districts and Boroughs. In our case a £5 increase equates to a 2.53% increase (as opposed to 2.6% last year). We have given very careful consideration to the setting of this year's council tax. We know that household budgets are under pressure, with many finding that incomes are not keeping pace with inflation. We also know that residents do not want us to reduce or cut valuable services. And we need to bear in mind the need to prepare for potentially very significant funding reductions from 2020-21 onwards possibly in excess of £1.5m. We have decided to increase council tax for 2019-20 by an amount that is lower than the maximum increase allowed by the Government. We will increase our council tax by 2.53% or £5 on a band D property. This is slightly less than the rate of inflation and less than the increases in council tax being made by Surrey Police (10% or £24 on Band D) and Surrey County Council (2.99% or £42.21 on band D). This will be the third year in a row when we have managed to set a council tax increase below the inflation rate as measured by the Retail Price Index.

Our 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. Coupled with the fact that Spelthorne retains just over 10p in every £1 of council tax we collect on behalf of ourselves, the police and the County, we believe this demonstrates our commitment to keep our portion of the bill as low as we can whilst protecting local services.

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 three quarters of one percent. In contrast, we earned an average of 4.4% on our core cash investments



whilst maintaining a sensible and prudent approach to risk. Our investment strategy for our cash reserves which we are continuing to shape and improve is doing very well. An average rate of return of 4.4% is an excellent return compared to the 0.5% many councils continue to accept.

Madam Mayor - I would like now to return to the detail of our budget and Council Tax proposals for 2019/20.

After excluding the £32 million of housing benefits which are fully funded from government grant, our gross service revenue expenditure will be £31.3 million. Deducting £10.3m pounds of specific grants, fees and charges, results in a net service expenditure figure of £21.0 million. Once we take into account, gross commercial income of £50.6m, interest on invested funds of £1.3m, the contributions to sinking fund reserves of £6.4m and revenue contributions to capital (seven hundred and fifty thousand pounds) and debt interest and loan interest and repayment of £36.5m, our net expenditure next year is projected to be twelve million seven hundred and eighty nine thousand pounds. New Homes Bonus of approximately seven hundred and fifty four thousand pounds and net retained business rates, and associated section 31 grants totalling approximately three million nine hundred and eighty one thousand pounds produce external funding of around five million three hundred thousand pounds. This leaves eight million, and fifty three thousand pounds to be met from the Council Tax. Taking account of a collection fund surplus of £19,000 and a tax base of **39,688** properties at Band D, will require a Band D Council Tax, of £202.44 per annum to be levied, for the Borough Council element of the bill.

There will be precepts from Surrey County Council and Surrey Police added to Council Tax. Both these organisations have also faced difficult decisions on council tax levels and, unlike Spelthorne, will be increasing their share of Council Tax by the maximum amount possible. Surrey Police will increase council tax by 10%. Surrey County Council in response to its funding gap is looking to raise its general council tax element by 2.99%. to **£1,453.50** and Surrey Police by 10.1% to **£260.57**. To reiterate, Spelthorne's element of the Band D council tax will increase by 2.53% to £202.44. This

makes the total Band D Council tax £1,916.51 which is a 3.86% increase overall. The Borough increase as a percentage is less than the amounts increased by Surrey County Council and Surrey Police. This means the Borough Council share of the total Council Tax bill for residents drops even lower to just 10.6%.

However, Madam Mayor there is still more work to be done to ensure that we continue to stay on a strong sustainable financial footing.

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

[Cllr Harvey](#)

With our ambitious but prudent financial strategy we are ensuring that the Council can continue to support the voluntary sector to the sum of approximately three hundred thousand pounds per annum. We strongly value our links with the voluntary sector who do an excellent job of helping those in need in our Borough.

The Capital Programme before the Council includes:

- £10.1 million in 2019-20 to complete the Ceaser Court housing development of 55 flats
- Five million pounds for completing the conversion of West Wing of the Council's offices here at Knowle Green in to 25 affordable housing flats
- Twenty eight million pounds for the Thameside mixed residential, office and retail development in Staines-upon-Thames
- One million five hundred thousand pounds for development of affordable housing at the White House site.
- Forty million pounds for potential regeneration and strategic acquisitions within the Borough
- Seven million and ninety thousand pounds for design and early stage work on progressing a replacement Spelthorne Leisure centre. This will progress following further consultation on the evaluation of alternative sites within the Borough.

- £2.6m on refurbishment and building plans to improve the supply of emergency accommodation for families and singles in the borough.

The Capital Programme provision for 2019-20 totals seventy eight million pounds, the majority of which is focused on moving forward our housing delivery projects

We will seek to build upon our existing partnerships and drive forward partnership working with both private and public sector organisations where appropriate.

Subject to affordability, we will undertake, under our local Collective Agreement, that we will always seek to at least match the headline national employers' percentage increases. This will enable us to improve staff recruitment and retention, so protecting the quality of service delivery for our residents.

In the meantime in order to meet our future financial challenges we will focus ever more closely on:

- maximising income from assets,
- procurement savings
- flexible use of technology
- looking at how we deliver and prioritise services to residents
- reducing the running costs of our operational assets. Most notably we are reducing the size of our office footprint, which both enables the creation of 25 affordable housing units, while also reducing our office running costs (business rates, heat and light etc), The project to reconfigure the Council Offices is now virtually complete.

Madam Mayor, I have rightly concentrated 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). We are focused on how we can use this

relationship to leverage funding in the future to support regeneration projects within our Borough

- We organised the first ever Spelthorne Means Business Awards last October which was hugely successful and will be back by popular demand later this year. This show cased the health of our local economy and the dynamism of businesses within the Borough
- Speaking of the health of the local economy we were delighted to see Primark open in Staines-upon-Thames last year and to then be followed by the opening of Decathlon and the Premier Inn. There have been set backs with the departure of Waitrose from the town, and it is disappointing to see the Waitrose site still empty. However, we have a new Iceland store in the High Street which opened just this Tuesday, and we look forward to the arrival of Lidl to the town. I would also like to express our happiness that the future of HMV in Staines has been secured and we look forward to HMV's centenary celebrations in a few years! Compared to many towns the occupancy rates in our towns, in this challenging climate for the retail sector, is quite good
- We have continued to actively support the Staines-upon-Thames Business Improvement District which has run a number of events and has completed a successful pilot of monthly Sunday (second Sunday of the month) farmers' markets. As an initiative to support football the Council agreed to make parking in the Council-run car parks free after 4pm on the three Thursdays in the run up to Christmas. In the new financial year we are launching with the BID, a pilot scheme discounted parking for the Staines-upon-Thames retailers employees to help the retailers retain staff and improve utilisation in our car parks.
- We continue to lobby actively for the Transport for London Oystercard and Zone 6 to be extended to the Borough and are funding a study to set out the business case.
- We recognise and welcome the major positive impact Heathrow airport has on our economy and the potential boost to that economy of an expanding airport. However, we also need to

ensure that we very thoroughly and robustly evaluate and respond to Heathrow's expansion plans particularly with regard to airport facilities which will be pushed into the north of the Borough and with respect to the need that noise and pollution impacts are mitigated as far as possible for our residents. This has generated significant additional work for the Council which we cannot deliver with existing resources. Although we are receiving some financial reimbursement from Heathrow, the net underlying full year impact will be sought from Heathrow to alleviate any further budgetary pressure.

- We supported the Surrey's councils successful bid to become a 100% Business Rates retention pilot for 2018/19 and this in turn has enabled us to earmark funding to leverage additional Enterprise M3 and private funding to enable the implementation of superfast fibre broadband to 3,000 homes and businesses in Staines-upon-Thames shortly which will give a major competitive edge to the town and will help our businesses thrive.
- The additional retained business rates has also enabled the Council to fund the setting up of the Heathrow Launchpad (despite the name there is no sponsorship or involvement from the airport) to act as an incubator supporting start up and small businesses in the Borough and to help them grow and thrive.
- We have continued to move forward our bid to the Department for Transport for a Southern Light Railway (SLR) link to Heathrow. Whilst some bids have fallen by the wayside we are still in the competition. If we are successful with the bid the building of the link would not only improve access to the airport for the many residents who work there, but would also have a transformative impact on Staines-upon-Thames confirming it as an airport city and boosting the economy of the Borough. Unlike the competing heavy rail proposals, Spelthorne's SLR link would not damage Staines Moor, a Site of Special Scientific Interest.

**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 250 net additional dwellings constructed. Just 9 of these were 'affordable' dwellings. We also had 1010 homes under construction and planning permissions for a further 947 homes. The Planning Team has worked extremely hard and made good progress in moving the Local Plan preparation forward. The draft Local Plan will be released for consultation later this year.

Under our administration this Council is now starting to deliver much needed affordable and other types of homes for our residents

- **Churchill** – I am delighted to say that in October we handed over the keys to three extremely happy local families to move into our affordable homes in Churchill Way, Sunbury. These families had been on our Housing Register.
- **The Bugle** – Similarly I am pleased to report that practical completion on the 8 flats at the Bugle took place last week and tenants will move in early March. Again we using the accommodation to address the needs of people we have been supporting and in doing so we also make significant savings on our homelessness budget.
- **Ceaser Court**- We are making good progress with Ceaser Court (formerly Benwell House). We are about to appoint a contractor for the main works which will get underway shortly and will be completed in 2020. This will deliver 55 flats.
- Last April saw the implementation of the **Homelessness Reduction Act**. As the Housing Options team reported to Overview and Scrutiny Committee last month we prepared thoroughly for the new processes and have coped well. Spelthorne's numbers of families in temporary accommodation have since the new Act commenced remained relatively stable, whereas many other councils have proportionally seen significant increases in their numbers.

This partly reflects the excellent preventive work of the Housing Options Team and in part is a sign that through our various initiatives we are starting to make an impact

- One of those initiatives which we are proud of is the Rent Assured scheme which has seen the number of homes put through the scheme by private sector landlords rise to approximately 70.

### **Clean and Safe Environment**

- We continue to see a steady uptake in our garden waste collection system and will aim to introduce further recycling streams during 2019 to help towards achieving 50% recycled.
- As part of our WW1 commenerations in 2018 we committed to the planting of 851 trees, 1 for each of the soldiers, from what is now Spelthorne, who lost their lives during or after the war as a result of injuries sustained in battle. We have already planted the first 100 trees in the Centenary Wood in Laleham Park and a further 200 across the Borough. We will continue to plant during 2019 until all 851 are in place.
- As part of its response to its financial pressures, Surrey County Council has taken control of the income from recyclable materials away from districts and boroughs. This has resulted in a cumulative fall in income for us since 2018-19 which will increase further in 2020-21 to £197,000 per annum.

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

- Delivering additional affordable homes to meet the needs of our residents
- Pro-actively pursuing initiatives to ease the pressure on our homelessness register
- Having generated £10m of ongoing net income per annum to enable us to protect and enhance the services for our residents in contrast to some other councils in Surrey and many across the country.
- Continuing to maintain an excellent rate of return on our financial investments which places us in a good position to reinvest additional capital receipts

- We have continued to invest in delivering our Independent Living Services, with one hundred thousand pounds capital being spent to improve facilities at the Greeno Centre.
- Equally we have responded to the needs of our younger residents maintaining and refurbishing play areas in our parks.

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

I would like to thank Councillor Howard Williams, our Financial Portfolio Holder and also all other Cabinet Members, as well as the Chief Executive and his Management Team especially Terry Collier and his financial colleagues and all the staff for their support and assistance in preparing this budget. In November we organised a moving 100 Years Remembrance of the ending of World War One at Knowle Green with local schools. Michael Graham, the Head of Corporate Governance and a host of volunteers put a great deal of effort into making this a successful and memorable event.

Before I conclude, in looking back over the last year, I would like to once more highlight the sad passing of Gerry Ceaser last year. Gerry, through his variety of roles, including as former Leader of this Council and Mayor and his work with charities had given so much to the Borough and we will miss him. Sadly Gerry Ceaser was not the only former Mayor of this Borough to pass away in the last 12 months. We also lost Sam Budd who was a real gentleman and will also be sadly missed.

Standing here looking back on the three years of my administration, I can say with confidence that we have put the Council's finances on a much more robust basis, enabling us to invest in improving resilience and avoid the type of cuts some other councils in Surrey are now facing. 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. We will in particular seek to provide services 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 delivering on our promise that ***Spelthorne Means Business.***



I now formally move the recommendations of the Cabinet of 20 February 2019, as set out within the Budget Book, detailing the precepts by the County Council and Surrey Police and the Band D Council Tax levy for the year 2019-20 and commend this Budget to the Council.

Thank you Madam Mayor