

Overview and Scrutiny 10th November 2016-17 Budget and Beyond: The Challenge of Delivering a Sustainable Financial Future

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Evans

Session to cover

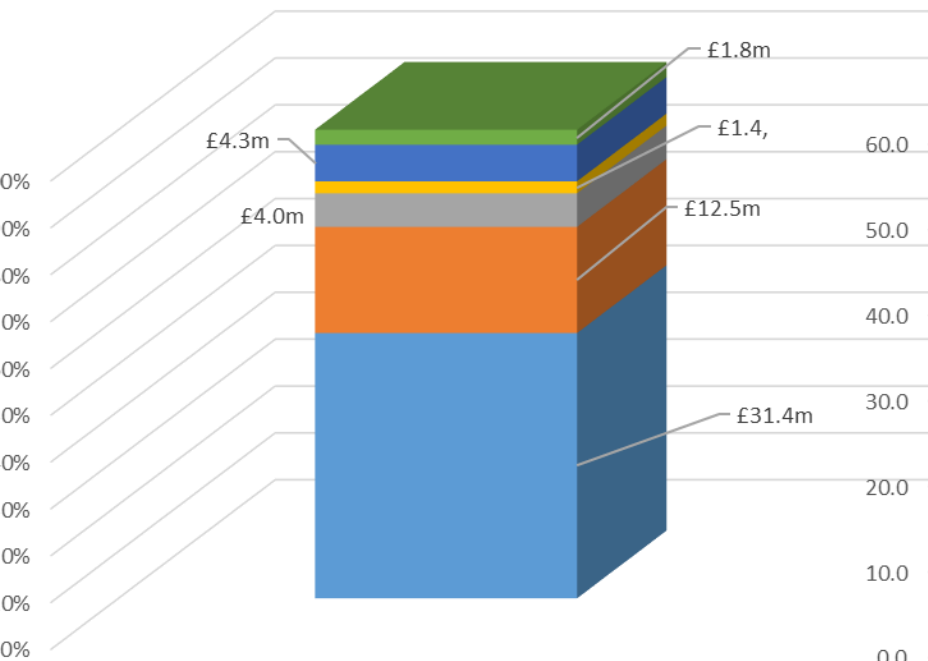
- **Reminder of current budget**
- **Summary timetable for Budget process**
- **Impacts of 8 July Budget announcements**
- **Pressures, including housing**
- **Refresh and review of funding challenges (including Business Rates)**
- **Updated Budget gap projections**
- **Update on asset income generation opportunities**
- **Latest medium term budget assumptions/projections/TaSF**
 - **Council Tax**

Summary Budget Timetable

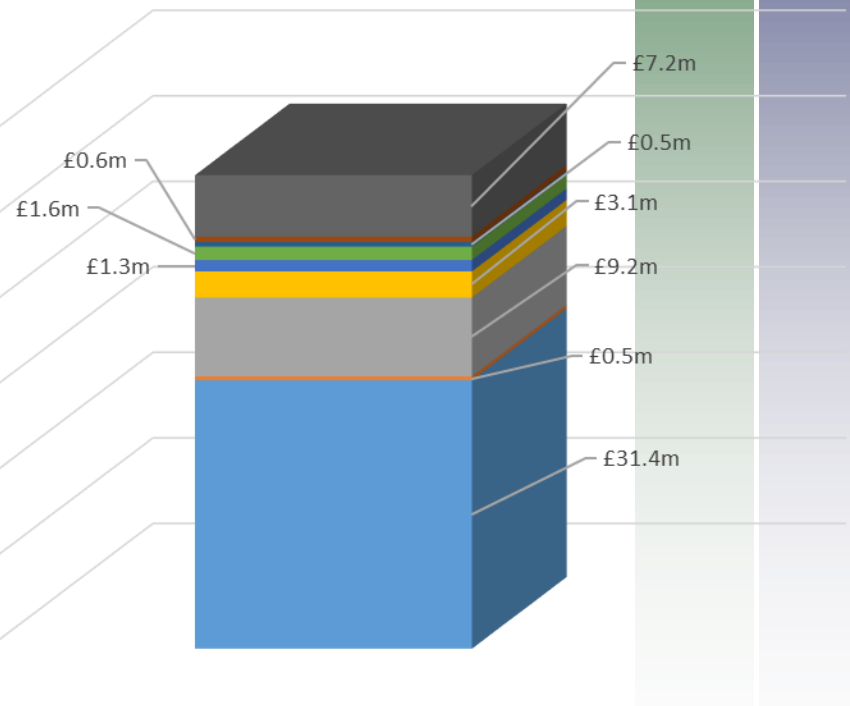
- 25th November Spending Review announcements
- Early December Cabinet meet with MAT to review progress on budget and give steer on options
- Mid to late December confirmation of grant funding for 2016-17 received
- Dec 9th Outline Budget Report considered by Cabinet
- January Cabinet firm up Fees and Charges, Revenue Budget and Capital Programme
- January Cabinet agree Treasury Management Strategy for 2016-17
- February 25th Council sets Council Tax and Budget

2015-16 Budget- How spent and how funded

Type of expenditure £55.4m



Sources of funding: £55.4m



- Benefit Payments
- Employees
- Premises
- Transport
- Supplies and Services
- External Contracts

- Housing Benefit grant
- Rents & Other Income
- Revenue Support Grant
- Reserves
- Council Tax
- Additional Specific Government Grants
- Business Rates
- New Homes Bonus Grant
- Interest

8 July Budget – National impacts

- Government to find £18bn cuts to public spending by 19/20 compared to £41bn in March Budget
- Expected local govt funding reductions phased over 3 rather than 2 years ie 16-17 to 18-19
- Working age benefits (incl tax credits and local housing allowance) frozen for 4 years= £4bn saving
- Benefits cap reduced to £20k (£23k in London)
- Social tenants with household incomes of more than £30k will have to “Pay to Stay” ie market rent
- £800m funding for Discretionary Housing Payments over 5 years
- Public sector pay constrained to 1% increase per annum for 4 years from 16-17 (private sector pay now rising at 3%- risk of talent drain for sector)
- National Living Wage set at £7.20 in April 15 rising to £9 by 2020 – pressures on sectors such as care homes

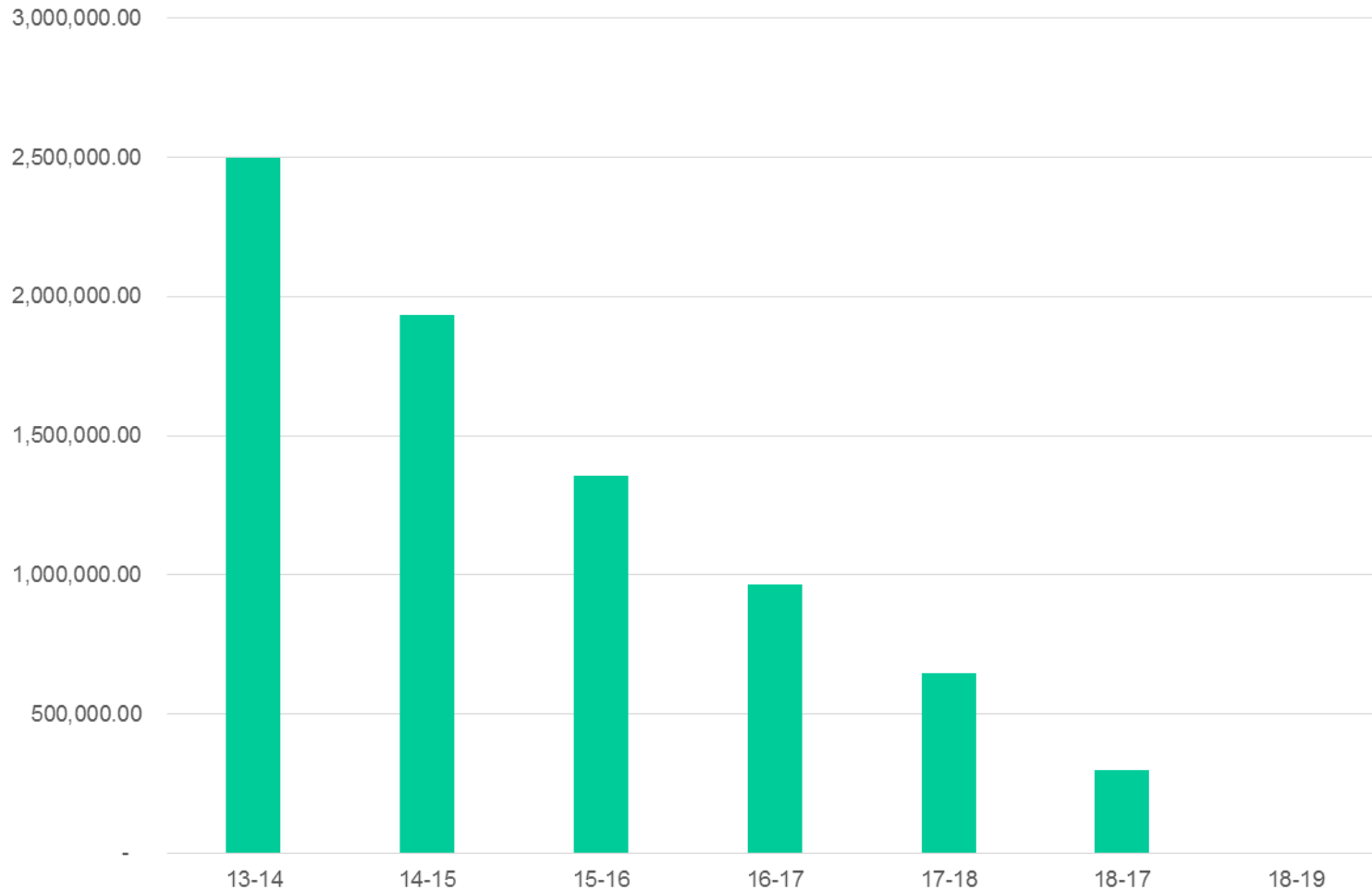
8 July continued

- Business rates admin interim report published
- 3 million apprenticeships to be created by 2020 funded by levy on businesses
- No mention of council tax freeze arrangements- regime being dropped?
- First county devolution deal being progressed with Cornwall.
- Ministry of Defence spend to rise by 0.5% in real terms to 20-21
- Planning – relaxation of rules to make easier to develop on brownfield sites
- Latest indications a 30% cut for DCLG over 4 years

Continuing Local Pressures

- 2015-16 Budget £75k additional built in– currently projected to overspend B&B budget by further £230k – now approx. 92 families- **reinforces need to progress housing delivery**
- Triennial local govt pensions revaluation take effect from 16-17 anticipated to rise by £180k per annum
- 2016-17 see impact of ending of “contracting out” on NI additional £170k per annum
- Roll out of Universal Credit will continue which will mean by 2019-20 loss of the £0.5m overpayments net credit we have been achieving

Local position with respect to Revenue Support Grant



Business Rates

- Spelthorne retains approximately 7% of £42m business rates collected
- Spelthorne passes 50% over to Treasury; 10% over to SCC and then pay a £14m tariff as a high taxbase council
- Spelthorne joined “Surrey Business rates pool” in 2015-16 which will enable SBC to retain more of any business rates growth
- Treasury review of Business Rates administration in 2016
- With Devolution announcements made by Chancellor in October business rates will become even more important
- In 2015-16 and 2016-17 Spelthorne is part of a 4/5 council Surrey Business Rates Pool which benefits us by avoiding the need to pay a 50% levy on additional business rates growth- worth approx. £600k per annum

Current Deficit assumptions and factors driving gap

- Staff annual pay award 1% from 2016-17 onwards (consideration to be taken account of ending of contracting out on employees?)
- No increase for councillors' allowances (impact marginal)
- Annual council tax increase of 1.94% per annum
- Interest rates not rising before early 2017
- Stock condition of assets – backlog maintenance of £3.6m to be programmed in over next 4 years
- Benefits overpayment income of £0.5m per annum phased out by 2017-18 with Universal Credits
- Employer pension costs increasing by
 - 2016-17 £360k (includes impact of Chancellor's proposed changes to opt out rules) and further annual increases of £180k per annum thereafter until next revaluation

Budget Gap projections

- 2015-16 Balanced
- 2016-17 Further £800k (cumulative £800k)
- 2017-18 Further £1,000k (cumulative £1,800k)
- 2018-19 Further £1,500k (cumulative £3,300k)
- 2019-20 Further £600k (cumulative £3,900k)

Investments

- Interest rates available from counterparties to councils are low
- To mitigate impact of the above put in place diversified investment strategy
 - Equity backed funds
 - Corporate bond funds
 - Property backed funds
- Can only deposit for relatively short periods reducing returns
- On our core £8.5m pooled funds Council earned average return of 5% for 14-15 plus capital gain of £1.3m
- 14-15 investment income £200k better than budget target
- Return of 5% provides benchmark for evaluating income generation proposals
- 2016-17 Treasury Management Strategy will go to January Cabinet and February Council

Bridge Street

- Currently anticipate £20m capital receipt May 2016
- If re-invest £20m to earn return of 5% per annum equates to £1m per annum (would not be full year for 16-17)

Asset income opportunities

- Ashford MSCP – £5m capital receipt with preferred partner
- Stanwell Short Lane – bids received in range £150k to £200k per annum
- Airport parking – need to re-appraise approach in light of Heathrow runway decision
- Opportunity to purchase the White House next to the depot currently off the table.
- Option to acquire Friends Walk

Knowle Green relocation

- Currently exploring two options
- One near Sunbury Cross
- One in Staines-upon-Thames

Assets continued

- Staines-upon-Thames developments
 - Parking Study
 - Retail study
 - Business Improvement District BID
- Riverside – option to undertake design competition for food outlet pavilions – raising profile of Staines-upon-Thames
- Officer/councillor Task group to focus on moving forward housing delivery drawing on models elsewhere
 - Eastleigh
 - Red doors (London Borough of Newham)
 - SCC
 - Arlingclose (SBC Treasury Management advisers)

Towards a Sustainable Financial Future

- Income Generation
 - Maximising investment returns
 - Obtain value and ongoing income from assets
- Relocating Council offices to cheaper more flexible accommodation and generating housing rental income on current site
- Alternative delivery models for services
 - Eg Public Service Mutuals, partnerships and Local Authority Trading Companies
 - Emergency Planning mutual set up and winning contracts
 - Legal and Environmental Health business cases being developed

Next Steps

- MAT evaluate growth bids and savings proposals - Nov
- Evaluate Spending Review and grant settlement announcements - Dec
- Draft Budget proposals put to Cabinet - Jan

Questions



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