

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE and PROPERTY ADVISORY BOARD

05 January 2010

Report of the Director of Finance

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 REVENUE ESTIMATES 2010/11

The Council has a statutory duty to set the level of council tax for the forthcoming financial year by 11 March. Under the Budget and Policy Framework Rules of the Constitution, the Cabinet is responsible for formulating initial draft proposals in respect of the Budget. The role of this Advisory Board is to assist both the Cabinet and the Council in the preparation of the Budget within the context of the Medium Term Financial Strategy and the Council's overall Aims and Priorities.

1.1 Introduction and Timetable

- 1.1.1 The Cabinet is responsible for formulating initial draft proposals in respect of the Budget. This report is intended as the basis for recommendations from this Board to the Cabinet.
- 1.1.2 The Advisory Board's proposals will be referred to the Policy Overview Committee for further consideration and advice. The Policy Overview Committee has a meeting on the 19 January in order to address this responsibility. A special meeting of the Cabinet is scheduled for the 2 February to consider the recommendations of this Board and the Policy Overview Committee and, in addition, take into account the Council's final grant settlement.
- 1.1.3 At that special meeting on the 2 February, the Cabinet will need to formulate its final proposals in respect of the Budget for 2010/11 and the council tax to be levied in respect of the Borough Council. The Full Council will meet on the 18 February to approve the Budget and set the Council Tax. The Full Council may adopt or amend the Cabinet's proposals.
- 1.1.4 The role of this Advisory Board is to consider in detail both the Revised Estimates for 2009/10 and the Estimates for 2010/11 within the context of the Medium Term Financial Strategy and the Council's overall Aims and Priorities.

1.2 Framework for consideration of the Estimates

Medium Term Financial Strategy

- 1.2.1 The Council's Medium Term Financial Strategy covers both capital and revenue budgets over a rolling six-year period, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the six-year period. A Medium Term Financial Strategy that underpins the budget setting process affords the opportunity to take a measured and structured approach to budget issues rather than a "knee-jerk" reaction.
- 1.2.2 The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This currently includes achieving a balanced revenue budget by 2012/13 that delivers the Council's corporate aims and priorities and to retain a minimum of £3.0m in the General Revenue Reserve by the end of the strategy period. The Strategy also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans.
- 1.2.3 The aim of the Medium Term Financial Strategy is to give us a realistic and sustainable plan that **reflects the Council's priorities** and takes us into the future. Underneath the Strategy for the budget setting year sit detailed estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures.
- 1.2.4 The Medium Term Financial Strategy is the Council's high level financial planning tool and will need to be updated and rolled forward one year as part of the 2010/11 budget setting process. It is probably worthwhile just reminding ourselves of the objectives currently set out in the Medium Term Financial Strategy.
- To achieve a balanced revenue budget by 2012/13 that delivers the Council's priorities by the end of the strategy period.
 - To retain a minimum of £3.0m in the General Revenue Reserve by the end of the strategy period.
 - Seek to balance the public's desire (as expressed in the 2003 council tax survey and since endorsed in the 2007 survey) not to see heavy council tax rises with the wish not to see services reduced.
 - Where possible, ensure that expenditure on expanding and improving services is accommodated by omissions and reductions from elsewhere within the Council's budget.
 - In respect of capital schemes coming forward for promotion to List A (the Capital Plan) give priority to those schemes that generate income or reduce costs.

- Develop a strategy so as to avoid, as far as possible, the threat of council tax capping by the Secretary of State.

Significant Financial Pressures

- 1.2.5 However, as discussed later on in this report due to the state of the public finances it is being suggested that, at the next Spending Review (2010), general government grant could be cut significantly. As Members have been previously advised, cuts of 10% to even 20% have been mooted. This in itself, without taking account of other budgetary pressures, e.g. increase in employers' superannuation contributions, would present a further significant financial challenge to the Council.
- 1.2.6 The problem we face is that the next Spending Review will not take place until after the General Election. What we do know is that a cut of 10% in general government grant would, all other things being equal, equate to a "gap" of circa £650,000 based on our 2010/11 provisional grant settlement; and at 20% this gap would rise to £1,300,000. This is further exacerbated due to the fact that the current Medium Term Financial Strategy assumes a 2% increase in general government grant. We are currently working on updating the Medium Term Financial Strategy to be presented to the Cabinet meeting in February.
- 1.2.7 Whatever the budget funding "gap" turns out to be, it will be significant and will undoubtedly require a detailed re-examination of the objectives set out in the Medium Term Financial Strategy, together with the capital plan process and the funding of capital expenditure.
- 1.2.8 For this reason, the 2010/11 financial year could be seen as a 'holding year' whilst we await the outcome of the next Spending Review and a clearer picture begins to emerge about the size of the financial challenge faced by the Council.

Overall Aims and Priorities

- 1.2.9 The Council's Key Priorities and other Corporate Aims and Priorities are due to be considered and updated, where appropriate, early in the new calendar year. Members may recall that we adapted a Budget Prioritisation model developed by Ryedale District Council for our own purposes. The purpose of the Model was to provide a mechanism, which would enable us to demonstrate that our resources and the targeting of those resources fit in with the Council's overall aims and priorities.
- 1.2.10 The Model was recently refreshed and updated and the results of that exercise reported to the meeting of this Board on 30 September. The results of this exercise showed that we continue to target our resources to reflect our priorities. In addition, the Model can be used to assist Members with the reallocation of resources or the identification of efficiency savings if needed in the future.
- 1.2.11 As Members will fully appreciate, all services carry a level of priority. The purpose of this exercise is to enable us to demonstrate and ensure that we target our

resources to reflect our priorities. Members will be aware that, in addition, the Council has also earmarked significant sums within reserves in order to strengthen further the revenue and capital expenditure targeted towards the Council's Key Priorities. For Members' information, the table below shows the total amounts allocated within the reserves over the medium term.

Key Priority	£
Street Scene	142,000
Youth	57,000
Community Safety	170,000
Affordable Housing	90,000
Healthy Living	30,000
Tonbridge Town Centre	253,000
Community Planning	67,000
Total	809,000

1.3 Government Grant

- 1.3.1 The 2007 Comprehensive Spending Review covered the three-year period 2008/09 to 2010/11. This Council's provisional settlement figure is £6,522,259 for 2010/11, an increase of 0.6% on the previous year, or £38,130 in cash terms.
- 1.3.2 The next Spending Review is also expected to cover a three-year period from 2011/12 and will take place after the General Election. As mentioned at paragraph 1.2.5, it is likely that general government grant could be cut significantly.

1.4 Overview

- 1.4.1 Last year the financial difficulties faced by the Council were labelled '*unprecedented*' with an initial estimated 'funding gap' of £1,500,000 in three tranches of £500,000 each over the period of the medium term. In the face of this unprecedented situation all of the Council's budgets were examined and savings of around £700,000 identified and incorporated within the 2009/10 estimates. Subsequent projections then put the 'funding gap' at £600,000 if options to address the shortfall are identified and implemented by 1 April 2010.
- 1.4.2 In response to the latter shortfall, Management Team subsequently identified staff related savings of £480,000 reported to the General Purposes Committee on 7 September and non-staff related savings of £90,000 reported to Cabinet on 14 October 2009. Further measures to meet the balance (i.e. £30,000) are to be considered and brought forward – hopefully before the end of this financial year.
- 1.4.3 Even with all these measures in place, as I outlined in paragraph 1.2.6, it is very likely that we will need to make further savings to bridge the deepening budget funding gap. As reported to the 30 September meeting of this Advisory Board

early consideration of the factors that are likely to impact on the Council's finances for both the 2010/11 budget cycle and over the medium term could see the former prove to be the "calm before the storm".

- 1.4.4 Discussions with Management Team, the Cabinet Member for Finance and the Leader of the Council have led me to the view that, whilst we have managed well thus far in dealing with the challenges that have confronted us, we will need to conduct a more fundamental review of our finances in the face of this deepening financial "crisis". This fundamental review will take time, and will need to be informed by the next Comprehensive Spending Review.
- 1.4.5 As Members are aware, we do have the luxury of having an existing Medium Term Financial Strategy that can "buy us time" to allow us to assess our position and formulate a new strategy, so as I said earlier in this report, I do very much see the financial year 2010/11 being a holding year.

1.5 Specific Issues

- 1.5.1 Following the practice we adopted in 2009/10, Members are advised that estimates in respect of income from fees and charges assume a "normal level" of activity with a 'corporate adjustment' to reflect the current downturn in the Council's income due to the economic climate.
- 1.5.2 Recommendations regarding fees and charges shown elsewhere on this agenda or to be reported to other Advisory Boards during this cycle of meetings are incorporated within the Estimates. Any changes required following consideration of fees and charges presented to this and other Advisory Boards will be incorporated before the Estimates are reported to Cabinet on 2 February.
- 1.5.3 Both the revised and forward estimates reflect changes in capital accounting arrangements where revenue expenditure funded from capital under statute and any associated grant received, e.g. house renovation grant expenditure are now shown within the relevant revenue service budget. In addition, for the revised estimate capital grants received and amortised over the life of the asset to match depreciation are now shown separately. For 2010/11, the accounting arrangement for capital grants received changes again whereby such grants are no longer reflected within the relevant revenue service budget. However, it should be noted that these changes do not impact on taxation requirements.
- 1.5.4 In order to address health and safety issues at the Council's buildings the 2009/10 Revised Estimates include a one-off contribution of £300,000, in addition to the planned contribution of 325,000, to the Building Repairs Reserve.
- 1.5.5 The contract payment between Leisure Services – Client and the Leisure Services Business Unit (LSBU) has been removed with the net operating cost of the LSBU estimates being transferred to the appropriate Leisure Services budget and the LSBU estimates serving as detailed memorandum accounts.

- 1.5.6 Members will note on the summary page reference to the Larkfield Leisure Centre 25m Pool Claim. This claim dates back to the mid to late 1990's and is no longer to be pursued. An earmarked reserve was established at the time of the claim to safeguard the Council's position against such an outcome.
- 1.5.7 The draft Estimates presented do not make any allowance at this point for the revenue implications of new capital schemes to the Capital Plan (paragraph 1.10.3 refers). At its meeting on 2 February, the Cabinet will need to give consideration to both the Revenue and Capital Estimates in the context of the Medium Term Financial Strategy and, where appropriate, recommend additions to the Capital Plan.

Corporate Services

1.5.8 The key issues are:

- 1) Revised and forward estimates reflect changes flowing from the corporate review of the establishment, reported to General Purposes Committee 7 September 2009.
- 2) Revised estimate includes termination costs associated with the corporate review of the establishment.
- 3) Fees payable to VAT consultants are included in the revised estimate following recovery of output tax from HM Revenue and Customs.
- 4) Revised and forward estimates reflect a reduction in the costs payable to bus operators. Forward estimate assumes a reduction in Government grant.
- 5) The revised and forward estimates in respect of council tax benefits show a decrease in net expenditure when compared to the original estimate. This is largely attributable to the way council tax benefit overpayments and associated subsidy arrangements are accounted for within the service budget and Collection Fund. This favourable position will fall away as caseload returns to historic levels.
- 6) The Council has received additional Benefits Administration Grant from the Department for Work and Pensions (DWP) to assist with the additional caseload arising from the current economic conditions.
- 7) The investment income forward estimate reflects reduction in interest rates, together with a draw down of core funds.

Environmental Health Services

1.5.9 The key issues are:

- 1) RPI increase in respect of our major contracts is assumed to be 0.0%

- 2) The refuse collection, recycling and street scene budgets include provision for growth in new properties (£40,000).
- 3) KCC have agreed to make an annual contribution of £20,000 towards the costs of providing the Weekend Freight and Household Bulky Waste Collection services.
- 4) Rescheduling of mechanical sweeping is expected to produce savings of £32,000 per annum in the street cleansing contract.
- 5) More graffiti work is now being carried out by the street cleansing contractor within existing contract arrangements generating a saving of £13,000 per annum.
- 6) The Council is part of a partnership of local authorities and colleges who have successfully been awarded a grant of £35,000 from the Food Standards Agency under *the Safer Food Better Business initiative*. The funding is to be used to provide training / coaching sessions for local food businesses.
- 7) Increased use of online media has seen a reduction in paper recycling income.
- 8) Increased licensing activity has resulted in additional income.

Housing Services

1.5.10 The key issues are:

- 1) A new budget has been created for the rent deposits scheme from savings in the bed & breakfast and spend-to-save budgets.
- 2) The Council has received additional funding of £45,500 from the Department for Communities and Local Government to assist householders affected by the economic downturn.
- 3) The revised and forward estimates in respect of housing benefits show a decrease in net expenditure when compared to the original estimate. This is largely attributable to the way housing benefit overpayments and associated subsidy arrangements are accounted for. This favourable position will fall away as caseload returns to historic levels.
- 4) The Council has received additional Benefits Administration Grant from the Department for Work and Pensions (DWP) to assist with the additional caseload arising from the current economic conditions.
- 5) The DWP is to reduce housing benefits and council tax benefits administration subsidy by 5% year on year for the three-year period 2008/09 to 2010/11.

- 6) The Council is to undertake a house condition survey in 2010 to fulfil its obligations under the Housing Act 2004 funded entirely from an earmarked reserve (£45,000).

Leisure Services

1.5.11 The key issues are:

- 1) RPI increase in respect of our major contracts is assumed to be 0.0%.
- 2) The estimates reflect funding from the Big Lottery Fund Children's Play Initiative, part of which is to be used for additional Youth and Sports Development resources.

Planning and Transportation Services

1.5.12 The key issues are:

- 1) The Council continues to receive Housing & Planning Delivery Grant to assist with the preparation of the Local Development Framework, one of the Council's priorities, and sustain service improvement of the Development Control function and support the Council's Medium Term Financial Strategy.
- 2) A review of frequency and nature of car park cleansing has produced savings of £19,000 per annum.
- 3) Reduction in Penalty Charge Notice income due to drivers exhibiting more compliance with waiting restrictions and committing fewer contraventions.

1.6 Leisure Services Business Unit

Overview

1.6.1 The key issues affecting the LSBU overall are:

- 1) The LSBU revenue estimates have historically reflected a contract payment from the Leisure Services revenue estimates to the LSBU. This payment has been removed from the 2010/11 revenue estimates to reflect that the LSBU is a directly operated service within Leisure Services. This approach more accurately reflects the trading position of the LSBU as an integral part of the Council.
- 2) Estimates allow no provision for a pay award. However incremental advances are allowed for all staff not top of grade.
- 3) The Council has entered a four year flexible procurement contract for the supply of gas and electricity. In 2010/11 it is anticipated, based upon

current prices that the cost of utilities will fall by an estimated £287,150. This is reflected in the revenue estimates.

- 4) The revenue estimates are inextricably linked to the scale of charges report to Leisure and Arts Advisory Board on 15 December 2009. The average uplift in the scale of charges across the LSBU is 2.8% (although Members should note that due to the VAT increase from 1 January 2010, the actual net increase to the Council is minimal).
- 5) LSBU Central management costs are apportioned to reflect support at each facility.
- 6) Estimates include £38,500 from the Big Lottery Fund towards the GP Referral Scheme and staffing costs of other healthy living initiatives and £18,750 from the Primary Care Trust to fund the post of Community Exercise Instructor.
- 7) The revenue estimates take into account trading patterns and other market factors however no allowance is made for economic downturn.
- 8) The overall projected estimate is a net deficit of £495,750 compared to a net deficit of £786,000 in the original 2009/10 estimate, i.e. a reduction in the cost of the LSBU of £290,250.

Larkfield Leisure Centre

1.6.2 The key issues are:

- 1) Lifestyles income reflects positive growth despite economic conditions, but acknowledges the Price for Life commitment to existing customers.
- 2) Gas and electricity estimates are decreased by £146,900 compared to 2009/10 original estimate.
- 3) Overall expenditure is decreased by 5.3% compared to 2009/10 original estimate with all variable costs held or reduced where possible. Principal savings relate to utilities and staff savings related to the corporate savings review and the closure of the Pre-School.
- 4) Overall income projection is 2.3% higher than 2009/10 original estimate reflecting the scale of charges increases and trading patterns, but taking no account of economic downturn.
- 5) The overall projected estimate is a net surplus of £11,450 compared to a net deficit of £164,100 in the original 2009/10 estimate.

Angel Centre

1.6.3 The key issues are:

- 1) Lifestyles income reflects the entry to the local market of additional competing facilities available to the public at Tonbridge School.
- 2) Gas and electricity estimates are decreased by £29,500 compared to 2009/10 original estimate.
- 3) Overall expenditure is increased by 1.0% compared to 2009/10 original estimate with all variable costs held or reduced where possible.
- 4) Overall income projection is 0.4% lower than 2009/10 original estimate reflecting the scale of charges increases and trading patterns, but taking no account of economic downturn. The primary reason for the reduction in income is Lifestyles as referred to at 1) above.
- 5) The overall projected estimate is a net deficit of £162,200 compared to a net deficit of £148,000 in the original 2009/10 estimate.

Tonbridge Swimming Pool

1.6.4 The key issues are:

- 1) Catering net profit is increased to reflect improved sales and more competitive purchasing of stock.
- 2) Gas and electricity estimates are decreased by £110,750 compared to 2009/10 original estimate.
- 3) Overall expenditure is decreased by 8.3% compared to 2009/10 original estimate with all variable costs held or reduced where possible.
- 4) Overall income projection is 4.2% higher than 2009/10 original estimate reflecting the scale of charges increases and trading patterns, but taking no account of economic downturn.
- 5) Overall income remains seasonal and largely dependent on summer season.
- 6) The overall projected estimate is a net deficit of £56,200 compared to a net deficit of £190,800 in the original 2009/10 estimate.

Poult Wood Golf Centre – Ground Maintenance Contract

1.6.5 The key issues are:

- 1) Overall expenditure is increased by 2.0% with all variable costs held or reduced where possible.
- 2) Increased costs primarily reflect the increased cost of materials.

- 3) The overall projected estimate is a cost of £288,800 compared to a cost of £283,100 in the original 2009/10 estimate.

1.7 Revised Revenue Estimates 2009/10

- 1.7.1 The Revised Estimates show a **decrease over the Original Estimates of £1,221,500 prior** to making a contribution to/from the General Revenue Reserve. The principal reasons for the decrease, which have, in the main, been reported to this Advisory Board throughout the year, are given in the table below. One notable exception being the very recent notification of our Housing and Planning Delivery Grant award for 2009/10 of £739,808.

Description	DR	CR	
	£	£	
Major Income Streams	368,250		
Building Repairs Reserve	300,000		
Termination Costs	195,650		
Economic Downturn	100,000		
Contracted Out Services	58,250		
Water & Sewerage	28,050		
Applications & Appeals	25,000		
Contribution from KCC		20,000	
Other Earmarked Reserves		22,700	
Area Based Grant		22,800	
Customer & Client Receipts		26,200	
Investment Income		41,600	
Refuse, Recycling, Street Cleansing & Public Conveniences Contract Payments		62,000	
Benefits Administration Grant		92,600	
Housing Benefits & Council Tax Benefits		177,300	
Revenue Reserve for Capital Schemes		200,000	
Concessionary Fares		263,250	
Energy		406,150	
Housing and Planning Delivery Grant		414,800	
Salaries		491,200	
Other Net Changes		56,100	CR
Total	1,075,200	2,296,700	1,221,500

1.8 Revenue Estimates 2010/11

- 1.8.1 The draft Estimates 2010/11, as detailed in the accompanying Booklet, total £14,946,750 **prior** to making a contribution to/from the General Revenue Reserve. This represents a **decrease of £146,800** or 1.0% over the Original Estimates for 2009/10. The principal reasons for this are given in the table below.

Description	DR	CR	
	£	£	
Economic Downturn	425,000		
Investment Income	259,900		
Earmarked Reserves	143,050		
Members Allowances	34,950		
Contribution from KCC		20,000	
NNDR Discretionary Relief		21,000	
Customer & Client Receipts		26,500	
Area Based Grant		28,800	
Refuse, Recycling, Street Cleansing & Public Conveniences Contract Payments		41,900	
Concessionary Fares		90,350	
Housing Benefits & Council Tax Benefits		172,650	
Salaries		264,050	
Energy		325,850	
Other Net Changes		18,600	CR
Total	862,900	1,009,700	146,800

Members will see from the above that the (substantial) savings identified and approved during the course of 2009/10 (see paragraph 1.4.2) are having a beneficial impact on the overall budget “picture” - as would be expected.

1.9 Capping

- 1.9.1 The Secretary of State still has powers under the Local Government Act 1992, as amended by the Local Government Act 1999, to limit the budgets of billing and major precepting authorities and thereby limit the size of council tax increases. These capping powers have been used in recent years after the Government stated it expected to see council tax increases of substantially less than 5%.
- 1.9.2 The assumption reflected within the Medium Term Financial Strategy approved by Council in February 2009 is that increases in council tax will need to fall across the medium term to 3.5%, with this being “kick started” by a 3.95% increase for 2010/11.
- 1.9.3 It is extremely debateable as to whether this assumption is still realistic. Irrespective of which party is to form a Government after the next General Election, we are sure that there will be an expectation from a number of sources that council tax increases will be held at much lower levels. Indeed, following the speech by Barbara Follett MP, Local Government Minister, in November, the suggestion within local government circles is that the cap might fall at around 3% for 2010/11 council tax levels.

1.10 Draft Capital Plan

- 1.10.1 A report elsewhere on this agenda seeks to advise Members of the way forward on the Capital Plan. The Medium Term Financial Strategy commends that for schemes coming forward for promotion to List A, priority will be given to those schemes which generate a net income or reduce costs.
- 1.10.2 In the context of the overall financial situation, this may mean that other schemes will go ahead only if the revenue costs can be accommodated from reductions elsewhere in the budget, or if fees and charges, additional to those assumed within the Medium Term Financial Strategy, can be generated. Indeed, in the Capital Plan report elsewhere on the agenda it is emphasised that due to the pressure on the revenue budget **it is unlikely that there will be scope to transfer many schemes to List A.**
- 1.10.3 The Capital Plan review report recommends schemes for inclusion on List B, the short-list of schemes for possible inclusion in the Capital Plan (subject of course to the emboldened comment above). Members are reminded that the selection from List B, of schemes to be included in the Capital Plan (List A) – if any – will be made at Cabinet on the 2 February for endorsement by Council. With this in mind Members are advised that the revenue consequences of new capital schemes **have yet to be incorporated within the Estimates.**
- 1.10.4 It is important to ensure that the revenue reserve for capital schemes can continue to fund capital expenditure at least until we reach a position where the annual contribution to the reserve matches the funding required for the replacement of our assets which deliver services as well as providing money for statutory services, e.g. Disabled Facilities Grants. In order to get to this position, last year Cabinet agreed to adopt a new approach with regard to the preparation of the capital plan.
- 1.10.5 It is probably worthwhile just reminding ourselves of the new approach where, other than funding for the replacement of our assets which deliver services as well as providing money for statutory services, there is now an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes to be assessed in the context of the annual allowance. This allowance based on current projections works out on average at £600,000 per year (maximum) if we do not wish to have recourse to borrowing until at least the contribution to the reserve matches the funding required for the replacement of our assets and providing money for statutory services.
- 1.10.6 However, as mentioned at paragraph 1.4.4, after the next General Election and subsequent Spending Review there will undoubtedly be a need to again revisit the capital plan process and the funding of capital expenditure as part of the fundamental review of our overall finances.

1.11 Consultation with Non-Domestic Ratepayers

- 1.11.1 Before the Borough Council determines the amount of its total estimated expenditure and makes calculations of its requirements for the ensuing financial year, it consults representatives of its non-domestic ratepayers about its expenditure proposals (including capital expenditure). The consultees, who include the local Chambers of Commerce as well as a group of the larger ratepayers in the Borough, receive on request information and copies of the draft budgets and are invited to make written representations if they deem it appropriate. Any points of clarification required are dealt with by telephone, written correspondence or, if appropriate, an informal meeting with officers.
- 1.11.2 Any comments or representations received from the consultees will be reported to Members throughout the budget process.

1.12 Summary

- 1.12.1 The key problem that we face is that we will not know, as a result of the government's review of public sector finances, the extent of any decrease in government grant until part way through the 2010/11 financial year. **However, the 'funding gap' that the Council is likely to face could be as challenging as any previous iteration of the Medium Term Financial Strategy.**
- 1.12.2 Setting ourselves a target to identify and implement options to reduce costs and or generate additional income during 2010/11 has its problems. Firstly, as we have outlined, we do not know the absolute size of the funding gap. It will undoubtedly require a detailed re-examination of the objectives set out in the Medium Term Financial Strategy, together with a review of the capital plan process and the funding of capital expenditure.
- 1.12.3 The good news is that we do have a robust Medium Term Financial Strategy and the existence and discipline of the same affords us the time to take a constructive and considered approach to budgetary pressures rather than "keen-jerk" reactions. Indeed, it will take some time to follow through some of the establishment issues that were agreed at General Purposes Committee in September. With the reduced capacity fully acknowledged by Members at the General Purposes Committee meeting, the ability to investigate and formulate further savings proposals could take some time.
- 1.12.4 For these reasons, we would suggest that:
- We acknowledge the significant budgetary pressure likely to confront us after the next General Election and Comprehensive Spending Review.
 - We acknowledge the need to undertake a detailed re-examination of the objectives of the Medium Term Financial Strategy including the capital plan process and funding of capital expenditure once a clearer picture emerges about the magnitude of the financial challenge faced by the Council.

- We acknowledge the opportunity to fundamentally review and re-engineer the structure of the Council's overall finances in order to give us a better financial platform from which to deliver our services.
- We do everything we can, from an efficiency point of view, in the interim to keep costs down, but not to do anything too radical until a clearer picture emerges about our potential budget 'funding gap' and the outcome of the fundamental review of our overall finances.

1.13 Financial Arrangements with Parish Councils

1.13.1 The recent Community Governance Review approved by Council saw many properties in the Leybourne Park area move from Ditton parish to East Malling and Larkfield parish. Accordingly, the allocations to the two parish councils under the Scheme of Financial Arrangements reported to the September meeting of this Board were amended to reflect this change. The change resulted in a £690 transfer from one to the other.

1.14 Legal Implications

1.14.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

1.15 Financial and Value for Money Considerations

1.15.1 As set out above.

1.16 Risk Assessment

1.16.1 The Local Government Act 2003 requires the Chief Financial Officer, when calculating the Budget Requirement and Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. To mitigate the risks detailed estimates are formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external advice on assumptions obtained where appropriate.

1.16.2 The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually.

1.17 Recommendations

1.17.1 The Advisory Board is requested to:

- 1) Consider the draft Revenue Estimates contained in the Booklet and make such recommendations, as it considers appropriate, to Cabinet for its special meeting on 2 February.
- 2) Within the context of the financial pressures outlined in the report, request that the Policy Overview Committee consider the draft Revenue Estimates contained in the Booklet and make such recommendations, as it considers appropriate, to Cabinet for its special meeting on 2 February.
- 3) Reaffirm, in principle at this stage, the broad objectives of the Medium Term Financial Strategy (paragraph 1.2.4 refers) but to revisit these objectives including the capital plan process and the funding of capital expenditure as part of a fundamental review of our overall finances when a clearer picture begins to emerge about the size of the financial challenge faced by the Council.

Background papers:

Nil

Sharon Shelton
Director of Finance

contact: Sharon Shelton
Neil Lawley