

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

15 December 2010

### Report of the Chief Executive and the Director of Finance

#### Part 1- Public

#### Executive Non Key Decisions

#### 1 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT

The purpose of this report is to advise Members of the provisional local government finance settlement figures for this Council for 2011/12 and 2012/13 as notified to us on 13 December 2010.

##### 1.1 Introduction

1.1.1 Members are fully aware of the significant financial pressures faced not only by local government, but the public sector as a whole in the current economic climate in which, as we have previously acknowledged the Comprehensive Spending Review and local government finance settlement are crucial pieces of a complex financial jigsaw puzzle.

1.1.2 The outcome of the Comprehensive Spending Review was announced on the 20 October which suggested an average cut in funding for local authorities of 28% in real terms over the four-year period 2011/12 to 2014/15. How this would shake down to individual local authorities would not be known until the provisional local government finance settlement which was announced on 13 December.

1.1.3 The **key messages** for TMBC arising from the provisional grant settlement are:

- The 2010/11 grant settlement of **£6.522m** has been reduced by £689k in the main to take account of the transfer of responsibility for concessionary fares, giving an adjusted grant base for 2010/11 of **£5.834m**.
- This has then been **reduced by 16.64%** to give a 2011/12 grant settlement of **£4.863m** (decrease of £971K against the adjusted grant)
- For 2012/13, the grant has been **reduced further by 12.04% to £4.278m** (decrease of £585k against the 2011/12 grant).
- Figures for the remaining two years covered by the Comprehensive Spending Review have not been provided and we have, therefore, had to

make an assumption about the further likely cut in general government grant in 2013/14 and 2014/15 for the purposes of our MTFS.

- 1.1.4 The Secretary of State has stated that the maximum loss in year will be 8.9%, however, this is based on what it is calling a Council's **revenue spending power**. Essentially, this is the Council's council tax requirement – including parish precepts - added to all government grants announced as part of the settlement (housing benefit administration and homelessness in 2010/11, and for 2011/12, the council tax freeze grant estimated at £212k is added).
- 1.1.5 For TMBC, the 'revenue spending power' change is a cash reduction of £752k or 4.5% in 2011/12, therefore, there is no transitional grant on offer to offset the severe reduction in formula grant. Some councils will receive a transitional amount as their revenue spending power change is greater than the 8.9% Mr Pickles talks about in his Statement.

## 1.2 Medium Term Financial Strategy

- 1.2.1 Members will recall that we made a commitment to undertake a fundamental review of our overall finances when a clearer picture began to emerge about the extent of the decrease in general government grant and, as a consequence the financial challenge faced by the Council. This review to include a detailed re-examination of the objectives set out in the Medium Term Financial Strategy. That re-examination to consider, for example: not should we, but by when should we look to achieve a balanced budget; the appropriateness of the current minimum general revenue reserve balance; and the period covered by the strategy period.
- 1.2.2 Some work on the fundamental review has already been undertaken. We have, for example, **remodelled the Medium Term Financial Strategy over a ten-year period setting the minimum general revenue reserve balance at £2m**. The Accountancy Section in liaison with Services recently completed an exercise comparing historic spend against the existing budget provision to identify where there might be scope to reduce the budget. In addition, over the coming year we will be examining our annual spend on capital renewals of around £1.1m to identify where there might be scope to reduce expenditure which, in turn, would have a direct impact on the budget requirement.
- 1.2.3 Clearly, the fundamental review is 'work in progress' and the remodelled Medium Term Financial Strategy will be refined and updated as we move through the budget cycle. What then is an early update of our Medium Term Financial Strategy telling us following the provisional local government finance settlement announcement?
- 1.2.4 Based on the provisional local government finance settlement for 2011/12 and 2012/13 and an assumption about the further likely cut in general government grant in 2013/14 and 2014/15, very early projections would suggest a budget funding gap of **circa £2.0m**.

- 1.2.5 As Members know, 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. Clearly, the absolute size of the budget funding gap will influence the timescales we afford ourselves to address the problem. Based on the above very early projection we could, for example, break down the savings target into three tranches – tranche one would be in the order of £750,000 as would tranche two to be achieved by 2012/13 and 2013/14 respectively. The final tranche would be in the order of £500,000 to be achieved by 2015/16. **Clearly, we will need to continue to look to take advantage of savings opportunities and efficiencies throughout this period as a matter of course.**
- 1.2.6 Elsewhere on this agenda are a report on the proposed New Homes Bonus scheme and a report on proposals to devolve the setting of planning fees to the local authority. If the proposals set out in these papers were endorsed with the New Homes Bonus scheme continuing for the period of this Parliament, **this would bring greater flexibility as to the timescales we afford ourselves to address the problem.**
- 1.2.7 Other recent government proposals / announcements if endorsed that may have an impact on the Council's finances and, in turn, the Medium Term Financial Strategy over the medium to longer term are:
- Cessation of administration of housing benefits from 2017/18.
  - Localisation of council tax benefits.
  - Local government funding review.
- 1.2.8 As mentioned earlier the remodelled Medium Term Financial Strategy is 'work in progress' but we hope that this report will at least give Members some comfort and reassurance concerning the resilience of our Medium Term Financial Strategy and that the financial pressures faced by the Council can be addressed in a measured and controlled way.

### **1.3 Legal Implications**

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

### **1.4 Financial and Value for Money Considerations**

- 1.4.1 As set out above.

## 1.5 Risk Assessment

- 1.5.1 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.
- 1.5.2 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.
- 1.5.3 We are firmly of the belief that the Council has been extremely prudent in the management of its finances and that the financial pressures likely to confront the Council can be addressed in a considered, measured and controlled way.

## 1.6 Equality Impact Assessment

- 1.6.1 See 'Screening for equality impacts' table at end of report

## 1.7 Policy Considerations

- 1.7.1 Community

## 1.8 Recommendation

- 1.8.1 The Council **NOTES** the contents of the provisional finance settlement and its impact on the Council's Medium Term Financial Strategy.

Background papers:

contact: Sharon Shelton

Nil

Neil Lawley

David Hughes  
Chief Executive

Sharon Shelton  
Director of Finance

| <b>Screening for equality impacts:</b>  |               |  |
|---|---------------|--|
| <b>Question</b>   | <b>Answer</b> | <b>Explanation of impacts</b>  |
| a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? | No            | The decision is merely to note the contents of the settlement proposed by Government |
| b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?   | N/A           |  |
| c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?   |               |  |

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*