

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

07 February 2012

Report of the Chief Executive and Director of Finance

Part 1- Public

Matters for Information

A MORE DETAILED SUPPLEMENTARY REPORT ON “SETTING THE BUDGET FOR 2012/13” AND A REPORT ON “SETTING THE COUNCIL TAX FOR 2012/13” WILL BE CIRCULATED BEFORE THE MEETING ON 7 FEBRUARY

1 REVENUE AND CAPITAL ESTIMATES 2012/13

This is a short report to update Members on issues relating to the setting of the Budget for 2012/13. More detailed supplementary reports in liaison with the Leader of the Council and the Cabinet Member for Finance will be circulated before the meeting on the 7 February.

1.1 Medium Term Financial Strategy

1.1.1 The Council's Medium Term Financial Strategy covers both revenue and capital budgets, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period.

1.1.2 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. Since it was introduced in 2003 **the Medium Term Financial Strategy has been instrumental in protecting the services that are provided by the Council and it has enabled us to take a more measured approach than would have been possible without it.** However, it is not a panacea which can insulate the Council from the severe cuts in government funding.

1.1.3 Underneath the Strategy for the budget setting year sits detailed estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures.

1.1.4 Given the scale of the financial challenge faced by the Council as part of the 2011/12 budget setting process we moved to a Medium Term Financial Strategy spanning a ten-year period; and set the following two fundamental objectives: to

maintain a minimum general revenue reserve balance at £2.0m and to achieve a balanced budget by the end of the strategy period.

- 1.1.5 The financial difficulties the entire public sector is facing are unprecedented, but we believe our Medium Term Financial Strategy is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way. Clearly, the absolute size of the 'funding gap' will influence the timescales we afford ourselves to address the problem.

1.2 Revenue Estimates 2012/13

- 1.2.1 The draft Revenue Estimates for 2012/13 were presented to the meeting of the Finance and Property Advisory Board and the Overview and Scrutiny Committee earlier in the cycle. The role of the Board and of the Committee 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 priorities. Whilst a number of questions were posed by Members at these meetings, the Revenue Estimates as presented were endorsed subject to the further deferral of the transitional increase in Members' Allowances recommended by the Joint Independent Remuneration Panel (and adjusted for an additional Cabinet Member allowance).
- 1.2.2 At the last meeting of the Cabinet on 11 January, Members began the debate regarding whether or not the 'council tax freeze' grant on offer from the government for 2012/13 should be accepted.
- 1.2.3 Members at that meeting considered the report from the Director of Finance and the Cabinet Member for Finance which graphically demonstrated the impact on our Medium Term Financial Strategy if the 'freeze' grant for 2012/13, a 'one-off' sum of £213k, were accepted. Members of the Cabinet, and the Full Council, will need to deliberate (and ultimately make a decision on) the best course of action for Tonbridge & Malling Borough Council.
- 1.2.4 From a purely **technical point of view**, whether the Council makes a decision to accept the 'freeze' grant or not, affects the 'Summary Total' for the 2012/13 Estimates. Therefore for completeness and transparency, the table in the following paragraph illustrates the position for 2012/13 for both scenarios.
- 1.2.5 On that basis, therefore, the current 'Summary Total' for the 2011/12 Revised Estimates and the 2012/13 Estimates are:

	Revised Estimate 2011/12 £	Original Estimate 2012/13 (no freeze) £	Original Estimate 2012/13 (freeze) £
Summary Total reported to Finance and Property Advisory Board on 4 January	14,557,150	14,171,250	14,171,250
Members Allowances		(29,400)	(29,400)
General Purposes Committee – IT Services Shared Management Arrangements		(63,400)	(63,400)
Council Tax Freeze Grant			(213,050)
Current Summary Total	14,557,150	14,078,450	13,865,400

1.3 Local Government Finance Settlement

1.3.1 Provisional formula grant allocations for 2012/13 were initially announced as part of the local government finance settlement 2011/12 and the basic allocations announced on the 8 December 2011 remain unchanged from those published on 7 February 2011. At the time of writing the final settlement is awaited. We understand from the Department for Communities and Local Government that current plans are for the **settlement to be debated and approved by Parliament on 8 February 2012**, which regrettably is after the date of the Cabinet meeting. However, we do not anticipate there being any significant change to the allocations.

1.3.2 The key messages arising from the provisional local government finance settlement are:

- The 2011/12 grant settlement of £4,889,857 has been reduced by £43,183 giving an adjusted grant base of £4,846,674 for 2011/12. The adjusted grant base has then been reduced by 11.9% or £576,785 in cash terms to give a **2012/13 grant settlement of £4,269,889**. Thus, Tonbridge and Malling Borough Council have seen a cut of more than 28% over the two-year period 2011/12 to 2012/13.
- Included in the 2012/13 provisional settlement is the 2011/12 council tax freeze grant which for us is £210,630 giving a total settlement figure of **£4,480,519** (£4,269,889 + 210,630).
- 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 when formulating the Medium Term Financial Strategy. However, Members will be aware of the main proposals for Business Rates Retention which if introduced would replace Formula Grant funding. For the purposes of medium term financial planning all we can do for the time being is assume we will be no better or worse off under this system than under the current arrangements.

- 1.3.3 The Parliamentary Under Secretary of State for Communities and Local Government, Bob Neill MP, also set out the levels of council tax increase above which would require authorities to seek approval of their electorate via a local referendum. **For most principal authorities (including district councils) this was set at 3.5%.**

1.4 Capital Plan Review

- 1.4.1 Capital expenditure is funded from the revenue reserve for capital schemes, grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets. The revenue reserve for capital schemes provides the main source of funding for existing and any new schemes that are introduced into the Capital Plan.
- 1.4.2 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.
- 1.4.3 In order to get to this position a few years ago Cabinet agreed to adopt a 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 or discretionary capital grants are to be assessed in the context of the annual allowance. That allowance has been set at £350,000.
- 1.4.4 The Capital Plan Review process started at the Finance and Property Advisory Board on 4 January followed by the Overview and Scrutiny Committee on 10 January.
- 1.4.5 Members at these meetings endorsed the recommendations as detailed in the papers subject to the Capital Plan process be simplified in future with schemes progressing on the basis of the three criteria specified (health and safety, externally funded or reducing the Council's costs).
- 1) The position of the existing Capital Plan (List A) as summarised in Annex 1 of the report to the Overview and Scrutiny Committee.

- 2) Schemes to be added to List C and the deletion of schemes from List C as detailed in Annex 2 of the report to the Overview and Scrutiny Committee.
- 3) Schemes to be evaluated over the coming year, with those so indicated, selected for fast track evaluation of which four have already been evaluated as detailed in Annex 3 of the report to the Overview and Scrutiny Committee.
- 4) The schemes in Annex 4 of the report to the Overview and Scrutiny Committee be treated as follows:

Transfer from List C to List B:

Car Park Enhancement Programme Phase 5
 Larkfield Leisure Centre New Dance / Exercise Studio
 Tonbridge Swimming Pool Changing Village Floor
 Tonbridge Racecourse Sportsground Improvements Phase 2
 Haysden Country Park Bridge Repairs
 Open Spaces Site Improvements Phase 2
 Tonbridge Cemetery Path Improvements
 Finance Electronic Document Management

- 5) The shortfall in funding for the four schemes recommended for fast track evaluation is met from funds no longer required in respect of existing schemes if Members agree that these schemes be taken forward in 2012/13.
- 6) Endorsed the draft Capital Strategy for adoption by Council and publication on the Council's website.

1.5 Supplementary Reports

- 1.5.1 Detailed supplementary reports on Setting the Budget for 2012/13 and on Setting the Council Tax for 2012/13 will be circulated to Members in advance of the meeting to enable the Cabinet to make appropriate recommendations to Council.

1.6 Legal Implications

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

1.7 Financial and Value for Money Considerations

- 1.7.1 As set out above.

1.8 Risk Assessment

- 1.8.1 The Local Government Act 2003 requires the Chief Finance Officer, when calculating the 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 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.

- 1.8.2 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.

Background papers:

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Nil

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