

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

05 February 2013

Report of the Chief Executive (Designate) and Director of Finance and Transformation (Designate)

Part 1- Public

Matters for Information

A MORE DETAILED SUPPLEMENTARY REPORT ON “SETTING THE BUDGET FOR 2013/14” AND A REPORT ON “SETTING THE COUNCIL TAX FOR 2013/14” WILL BE CIRCULATED BEFORE THE MEETING ON 5 FEBRUARY

1 REVENUE AND CAPITAL ESTIMATES 2013/14

This is a short report to update Members on issues relating to the setting of the Budget for 2013/14. 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 5 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. 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.

1.1.2 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 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. 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 Members are fully aware that the Council continues to face a significant financial challenge as a result of the Coalition Government's budget deficit reduction programme which has resulted in a reduction in the financial support it can offer to local government and the current economic climate, 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 2013/14

1.2.1 The draft Revenue Estimates for 2013/14 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. At the Finance and Property Advisory Board meeting the Revenue Estimates as presented were endorsed subject to the adjustments shown in the table below. Due to the timing of meetings any further adjustments made following the meeting of the Overview and Scrutiny Committee will be reflected in the supplementary report to be circulated before the meeting on 5 February.

1.2.2 During this cycle of meetings Members have deliberated on whether or not the 'council tax freeze' grant on offer from the Government for 2013/14 should be accepted and 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. From a **technical point of view** whether the Council makes a decision to accept the 'freeze' grant or not affects the 'Summary Total' for the 2013/14 Estimates. Therefore, for completeness and transparency, the table below illustrates the position for both scenarios.

	Revised Estimate 2012/13 £	Original Estimate 2013/14 (no freeze) £	Original Estimate 2013/14 (freeze) £
Summary Total reported to Finance and Property Advisory Board on 9 January	14,192,250	13,755,700	13,755,700
General Purposes Committee on 4 February – Establishment Changes (net)		(16,600)	(16,600)
Discretionary Rate Relief		(60,000)	(60,000)
Police Accommodation Licence Fee		(10,000)	(10,000)
Members Allowances		(43,050)	(43,050)

Council Tax Freeze Grant			(87,900)
Current Summary Total	14,192,250	13,626,050	13,538,150

1.3 Local Government Finance Settlement

- 1.3.1 On the 19 December 2012 details of the 2013/14 provisional local government finance settlement were published along with indicative figures for 2014/15. One issue on which we made a response was to do with our funding allocation in respect of the council tax support scheme. Members should note, however, that the Council's allocation for 2013/14 notified to us on the 19 December is yet to be confirmed.
- 1.3.2 Members will be aware that the Business Rates Retention scheme is to replace the Formula Grant system from 1 April 2013. The start-up funding allocation to be set so as to provide each local authority with a stable starting point, receive the same level of funding as they would have done under the current arrangements. The Business Rates Retention scheme for the two-year period 2013/14 to 2014/15 to operate within the spending control totals set out in the 2010 Spending Review and subsequently revised downwards.
- 1.3.3 Each authority's start-up funding allocation will comprise its share of the local share of business rates (its baseline funding level) plus revenue support grant which will be made up of two elements: funding allocated using an updated version of the 2012/13 formula grant process and grants which have been rolled into the Business Rates Retention scheme.
- 1.3.4 Our start-up funding allocation for 2013/14 is £4,986,390 made up as follows: baseline funding level of £1,992,052 and revenue support grant of £2,994,338. Please note the start-up funding allocation includes the parish councils funding of £164,574 in respect of the council tax support scheme.
- 1.3.5 Our indicative allocation for 2014/15 is £4,359,477 made up as follows: baseline funding level of £2,053,150 and revenue support grant of £2,306,327. Again, please note that this figure includes the parish councils funding in respect of the council tax support scheme.
- 1.3.6 Also, the Localism Act requires a local authority to seek the approval of their electorate via a local referendum if it proposes to raise council tax above the threshold set by the Secretary of State. For us this was set at 2.0%. (Please note the increase may differ slightly due to the requirement to exclude the payment of any special levies from the calculation).

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 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.
- 1.4.4 In setting the budget for 2012/13 that allowance was set at £350,000. However, it is recommended that expenditure on improvements to existing car parks with an average annual spend of £30,000, currently met from the allowance, is budgeted for each year outside of the Capital Plan review process and the annual capital allowance reduced to £320,000.
- 1.4.5 The Capital Plan Review process started at the Finance and Property Advisory Board on 9 January followed by the Overview and Scrutiny Committee on 29 January.
- 1.4.6 At the Finance and Property Advisory Board meeting Members endorsed the recommendations as detailed in the papers subject to the adjustments highlighted in bold below. Due to the timing of meetings any further adjustments made following the meeting of the Overview and Scrutiny Committee will be reflected in the supplementary report to be circulated before the meeting on 5 February. The recommendations were:
 - 1) Cabinet be asked to endorse that expenditure on improvements to existing car parks is treated as recurring expenditure and the annual capital allowance from 2013/14 be set at £320,000.
 - 2) Cabinet be asked to endorse the position of the existing Capital Plan as summarised in Annex 1 of the report to the Overview and Scrutiny Committee **subject to removal of the contribution of £240,000 towards Coldharbour Gypsy and Traveller Site which would be totally funded externally.**
 - 3) Cabinet be asked to endorse that the schemes listed in Annex 2 of the report to the Overview and Scrutiny Committee be added to List C, deleted from List C or merged as detailed **subject to the schemes for environmental enhancement of shopping areas at Larkfield (A20), Woodlands Road and Twisden Road being retained on List C.**

- 4) Cabinet be asked to endorse that the schemes listed in Annex 3 of the report to the Overview and Scrutiny Committee are selected for evaluation over the coming year, including one scheme being selected for fast track evaluation that has already been evaluated.
- 5) Cabinet be asked to endorse that 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:

Tonbridge Cemetery Memorial Garden Vaults

Tonbridge Swimming Pool Car Park Improvements / Extension

- 6) Cabinet be asked to endorse 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 2013/14" and on "Setting the Council Tax for 2013/14" 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.
- 1.6.2 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to raise council tax above this limit they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise.

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 Financial 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 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.

- 1.8.2 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 and in the current climate regularly reviewed by Management Team.
- 1.8.3 There is so much uncertainty and volatility particularly in some of our major sources of income that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections.
- 1.8.4 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.
- 1.8.5 In addition, not identifying and implementing the requisite savings will put at risk the integrity of the Medium Term Financial Strategy.

Background papers:

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Nil

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