

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

06 February 2007

Supplementary Report of the Director of Finance, Chief Executive, Leader of the Council and Cabinet Member for Resources & Capital Projects

Part 1- Public

Matters for Recommendation to Council

1 SETTING THE BUDGET FOR 2007/08

Further to reports to the meeting of the Finance and Property Advisory Board and Policy and Best Value Committee earlier in the cycle, this report updates Cabinet on issues relating to the Medium Term Financial Strategy. It takes members through the necessary procedures in order to set the budget for 2007/08.

1.1 Medium Term Financial Strategy

- 1.1.1 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. The Medium Term Financial Strategy affords the opportunity to take a measured and structured approach to budget issues rather than a "knee-jerk" reaction.
- 1.1.2 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 2011/12 that delivers the Council's corporate aims and priorities and to retain a minimum of £3.0m in the General Revenue Reserve. 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.
- 1.1.3 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 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 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

2007/08 budget setting process. It is probably worthwhile reminding ourselves of the objectives currently set out in the Medium Term Financial Strategy.

- To achieve a balanced revenue budget by 2011/12 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) 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.

1.2 Revenue Estimates 2007/08

1.2.1 The draft Revenue Estimates for 2007/08 were presented to the meeting of the Finance and Property Advisory Board and Policy and Best Value Committee earlier in the cycle. The role of the Board and of the Committee is to assist both the Council and the Cabinet in the development of its budget within the context of the Medium Term Financial Strategy and the Council's overall Aims and Priorities. Whilst a number of questions were posed by members at these meetings, the Revenue Estimates as presented were endorsed.

1.2.2 As reported in the holding report, since preparing the draft Revenue Estimates Booklet, a number of changes have emerged and the Estimates have been updated accordingly. The current 'Summary Total' for the 2006/07 Revised Estimates is £14,169,150 and for the 2007/08 Estimates is £13,998,450.

1.3 Revenue Support Grant 2007/08

1.3.1 The 2006/07 finance settlement incorporated changes to the grant distribution system following a review of the formulae, introduced a change to the way councils are funded in that the Formula Spending Share was scrapped in favour of a 'four block model' and introduced three-year revenue and capital grant settlements (albeit this first round will only extend to two years) in order to give

councils firm forward financial allocations. Councils have funds allocated based on:

- A relative needs allocation
- A cut based on ability to raise council tax
- A population-based allocation
- An allocation to ensure minimum increase in grant

1.3.2 The final settlement for 2007/08 was announced on 18 January and is due to be debated in the House on 31 January. This Council has received a final Grant Settlement of £6,329,988, which is the same as the provisional settlement announced in November and as indicated as part of the 2006/07 finance settlement. As mentioned in the holding report a letter of representation about the settlement was sent to the Department for Communities and Local Government, and a response is still awaited.

1.3.3 The headline increase in grant for 2007/08 is shown as 2.7% which happens to be the floor (minimum increase) for shire districts. However, it is not quite that simple in that our 2006/07 grant has been adjusted **downwards** to produce the 2.7% headline figure or £166,416 in cash terms. The increase in grant on the actual grant received is 1.2% or £77,254 in cash terms.

Table 1 - Revenue Support Grant

	2007/08 £	2006/07 'Adjusted' £	Variance £
Revenue Support Grant	909,645	922,543	-12,898
National Non-Domestic Rates	5,420,343	5,241,029	179,314
Total	<u>6,329,988</u>	<u>6,163,572#</u>	<u>166,416</u>

Note: For completeness, the actual grant received was £6,252,734.

1.3.4 A comparison of our grant settlement for 2007/08 with those of other Kent District Councils is provided at **[Annex 1]**.

1.4 Capital Plan

1.4.1 As reported in the holding report, the Capital Plan Review process started at the Finance and Property Advisory Board (F&PAB) on 3 January 2007 and the recommendations as presented endorsed. The Policy and Best Value Committee (P&BV) considered the Capital Plan position on 23 January.

1.4.2 P&BV recommended that:

- 1) The position of the existing Capital Plan (List A), as reported to F&PAB, be adopted. A summary of the Capital Plan (List A) is attached at **[Annex 2]**.
- 2) The new schemes listed in **[Annex 3]** be added to List C.
- 3) The existing List C schemes, listed in **[Annex 4]**, be deleted from List C.
- 4) The List C schemes shown in **[Annex 5]** be selected for evaluation over 2007, with those schemes so indicated, being selected for fast-track evaluation.
- 5) The evaluated List C schemes shown in **[Annex 6]** be transferred from List C to List B and further transferred to List A, subject to the overall financial situation.
- 6) The following schemes be retained on List C for further evaluation:

New Hythe Lane: Residents' off-street parking.

Tonbridge Swimming Pool: Wet change area.

Poult Wood Golf Centre: Replacement of irrigation system.

1.4.3 A summary of the revenue implications of the List B schemes is included in **[Annex 6]**. The revenue implications shown reflect the estimated impact in the year of implementation and the estimated impact in subsequent years. The precise impact in 2007/08 and later years will depend on the profiling of the capital expenditure and the date from which the project goes operational. If all List B schemes are selected for List A the estimate for the revenue implications of the schemes for 2007/08, based on an estimated profile of expenditure, is included in the Medium Term Financial Strategy at £73,900.

1.4.4 A number of schemes have been recommended for “**fast-track**” evaluation with a view to the schemes being implemented during 2007/08. Members will recall that in the last two years a provision has been included in the Capital Plan to allow these fast track schemes to proceed if appropriate and members may consider it prudent to continue this practice.

1.4.5 In addition to the fast track schemes, the evaluation of the List C scheme for Tonbridge Castle East Curtain Wall, which was selected for evaluation in the 2005/06 Capital Plan review, is likely to come forward in the next cycle of meetings. In view of the possible urgency of the proposed works, it may also be prudent to include a provision to allow the works to take place in 2007/08.

1.4.6 **It is therefore suggested that members of the Cabinet increase the existing Corporate Provision for Fast Track Schemes within the Corporate Services element of List A by, say, £200,000 for 2007/08 to allow the fast track schemes plus Tonbridge Castle East Curtain Wall to proceed, if appropriate.**

On the assumption that members support this stance, an estimate of the revenue implications of the fast-track schemes for 2007/08, based on an estimated profile of expenditure, is included in the Medium Term Financial Strategy at £4,550.

- 1.4.7 An updated summary of the Capital Plan is attached at **[Annex 7]**. This summary includes all List B schemes and the provision for fast-track schemes proposed in paragraph 1.4.6 above. The column for expenditure to 31 March 2006 shows a reduction due to the deletion of schemes for which no budget exists after 31 March 2006. The capital grants budgets in Leisure Services and Corporate Services have been reprofiled to reflect the awards for 2007/08 following Finance and Property Advisory Board; the overall totals for these budgets remain the same. The balance of the existing Corporate Provision for Fast Track Schemes (£131,000) has moved from 2006/07 to 2007/08.
- 1.4.8 In previous years, the Government Office for the South East (GOSE) has announced details of housing capital allocations. The Department for Communities and Local Government, formerly and at that time the Office of the Deputy Prime Minister announced that: "In 2006/07 and 2007/08, Central Government support for local authority housing capital investment will not be provided through the RSG system. Support for work on authorities' own stock will continue to be made through HRAs, while support for work on private housing and other activity will be in the form of capital grant to be announced in the New Year." At this time last year, no announcement had been made. Subsequently (28 March 2006) an award of £262,000 for 2006/07 was announced, which was incorporated in the Capital Plan. So far there has been no announcement of an award for 2007/08.
- 1.4.9 A funding statement based on **[Annex 7]** is attached at **[Annex 8]**. The main source of funding is the Revenue Reserve for Capital Schemes and the impact on the Revenue Reserve for Capital Schemes is illustrated in **[Annex 9]**.
- 1.4.10 We are very pleased to say that, as well as the provision for the fast-track schemes set out in paragraph 1.4.6 above, **we are able to recommend that all List B schemes be transferred to List A.**
- 1.4.11 When we reported last year on the transfer of List B schemes to List A, a number of schemes were recommended for retention on List B pending further developments. These schemes and a brief commentary are listed below:
- 1) Tonbridge Riverside Path Enhancement. The Environment Agency has appointed a landscape architect to prepare some costed projects. A provision may be required in due course to provide partnership funding in conjunction with the Environment Agency, developers or other agencies or funding bodies. This scheme should remain parked on List B.
 - 2) Tonbridge Racecourse Sports Ground - Ball Court. This scheme is awaiting developer contributions and should remain on List B.

- 3) Leisure Facilities: Upgrade of CCTV - Phase 2. Phase 1 of this project has been implemented and the need or otherwise for a further phase of CCTV work will be assessed in the light of the results from Phase 1. Accordingly, Phase 2 of this scheme has been recommended for evaluation in 2007. It is therefore appropriate for this scheme to be transferred back to list C pending the results of the evaluation.

1.4.12 Accordingly, it is **RECOMMENDED** that:

- 1) Council is requested to approve the position of the existing Capital Plan (List A) as presented to Finance and Property Advisory Board on 3 January 2007.
- 2) Cabinet approves the new List C schemes shown in **[Annex 3]**.
- 3) Cabinet approves the deletion from List C of the schemes shown in **[Annex 4]**.
- 4) Cabinet approves the selection for evaluation of those List C schemes listed in **[Annex 5]** with those schemes so indicated, being selected for fast-track evaluation.
- 5) Cabinet approves an increase of £200,000 in the corporate capital plan provision for fast track schemes to cover the possible implementation in 2007/08 of those schemes selected for fast-track evaluation.
- 6) Cabinet approves the use of the corporate provision for fast track schemes for Tonbridge Castle East Curtain Wall in the event that the evaluation of this scheme recommends urgent action.
- 7) Cabinet approves the transfer of the following List B schemes to List A:

Car Parking: Parking Action Plan – Phase 6 (Provision £25,000 in 2007/08)

Car Parking: Car Park Enhancement Programme (Provision £69,000 in 2007/08)

Traffic management: Local Transport Plan Partnership Programme 2007/08 (Provision £50,000 in 2007/08)

Footpath Extension: Bailey Bridge Road, Aylesford. (Provision £9,000 in 2007/08)

Environmental Improvements: Stone Lock, Haysden Country Park. (£3,000 in 2007/08)

Snodland Partnership – Contribution for 2007/08 (Provision £25,000 in 2007/08)

Larkfield Leisure Centre (LLC): Lowering of internal walkway (Provision £226,000 in 2007/08)

Leisure Facilities: Disability Discrimination Act Improvements. (Provision £47,000 in 2007/08).

Tonbridge Cemetery / Churchyards – Memorial Safety (Provision £50,000 in 2007/08)

Tonbridge Cemetery: Refurbishment of toilets. (Provision £42,000 in 2007/08).

Community Partnership Initiatives 2007/08 (Provision £100,000 in 2007/08).

- 8) Cabinet approves the retention on List B of the following ‘parked’ schemes:

Tonbridge Riverside Path Enhancement

Tonbridge Racecourse Sports Ground - Ball Court

- 9) Cabinet approves the transfer of Leisure Facilities: Upgrade of CCTV - Phase 2 from List B to List C pending the result of the evaluation of this phase.

1.5 Prudential Code and Treasury Management & Investment Strategies / Borrowing Limits

1.5.1 The Local Government Act 2003 and its subsidiary regulations set out the framework for the system of capital controls which applied from 1 April 2004. The prescriptive former approach to borrowing, based on the award of credit approvals, has been replaced by a prudential system whereby local authorities must set their own borrowing limits with regard to affordability, prudence and sustainability. Underpinning this is a requirement to follow the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.5.2 The Prudential Code requires that the CIPFA Code of Practice on Treasury Management is adopted and that a number of prudential indicators are set. Council adopted the latest edition of the Code of Practice on Treasury Management on 30 September 2003.

1.5.3 Elsewhere in these papers there is a report on the Treasury Management Strategy Statement and Annual Investment Strategy. The approval of the Strategies and determination of the prudential indicators has to be made by the body setting the Council Tax, i.e. full Council, as do amendments to either the Strategies or indicators during the year.

1.5.4 The CIPFA Prudential Code for Capital Finance in Local Authorities under the auspices of the Local Government Act 2003 and subsidiary regulations requires that a number of treasury management prudential indicators are set as follows :

- 1) The capital financing requirement - the extent to which the authority needs to undertake external borrowing to support its capital programme.
- 2) The operational boundary for external debt
- 3) The authorised limit for external debt

- 4) The upper limit for fixed interest rate debt
- 5) The upper limit for variable rate debt
- 6) The upper limit for total principal, and
- 7) The maturity structure for new fixed rate borrowing during 2007/08.

1.5.5 A summary of the indicators appears in the table below.

Prudential Indicator	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
The capital financing requirement	0.0	0.0	0.0	0.0
The operational boundary for external debt	2,000	2,000	2,000	2,000
The authorised limit for external debt	5,000	5,000	5,000	5,000
The upper limit for fixed interest rate debt	5,000	5,000	5,000	5,000
The upper limit for variable rate debt	2,000	2,000	2,000	2,000
The upper limit for total principal	5,000	5,000	5,000	5,000
The maturity structure for new fixed rate borrowing during 2007/08	Upper Limit		Lower Limit	
Under 12 months	100%		100%	
Over 12 months	NIL		NIL	

- 1.5.6 The capital financing requirement measures the amount of external borrowing that the Council expects to have to undertake in support of its capital programme. A nil figure indicates that no borrowing is required. As this Council is debt free and, for the foreseeable future, does not expect to have to borrow to support its capital programme, this indicator does not change over the period covered.
- 1.5.7 The operational boundary is designed to cover all day to day borrowing requirements. As this Council is debt free, borrowing is only undertaken on a short-term basis to cover cash flow management. Experience suggests that an operational boundary of £2.0m will be sufficient to cover all likely contingencies.
- 1.5.8 The authorised limit is intended to provide a degree of headroom above the operational boundary to cover unexpected and unusual borrowing requirements. A limit of £5.0m is estimated to be sufficient to cover such eventualities.
- 1.5.9 The **other prudential indicators** which we are required to set are shown in the table below:

Table 3 - Prudential Indicators

1.	Ratio of actual and estimated financing costs to the net revenue stream	(Interest payable with respect to borrowing less interest and investment income) ÷ (government grants plus call on local taxpayers) x 100%.					
2005/06 actual -14.06%	2006/07 estimated -11.83%	2007/08 estimated -12.98%	2008/09 estimated -10.36%	2009/10 estimated -9.33%	2010/11 estimated -8.50%	2011/12 estimated -7.93%	2012/13 estimated -7.00%
2.	Estimates of the incremental impact of capital investment decisions on the Council Tax	The revenue impact of capital schemes added to the ongoing capital plan on the Council Tax Band D Equivalent. The example below shows the estimated effect on the Borough Council's Band D equivalent of the addition of all List B schemes to list A. A more detailed version of this indicator appears in [Annex 10] .					
Total		2007/08 estimated £ 1.69	2008/09 estimated £ 0.45	2009/10 estimated £ 0.00	2010/11 estimated £ 0.00	2011/12 estimated £ 0.00	2012/13 estimated £ 0.00
3.	Actual and estimated capital expenditure	This indicator is based on the existing capital plan position recommended by Policy and Best Value Committee on 23 January 2007 and, in addition, includes all list B schemes and the provision for fast-track schemes. The figures are based on those shown in [Annex 8] adjusted for accruals.					
2005/06 actual £'000 5,308	2006/07 estimated £'000 5,084	2007/08 estimated £'000 4,345	2008/09 estimated £'000 2,396	2009/10 estimated £'000 1,971	2010/11 estimated £'000 2,048	2011/12 estimated £'000 1,956	2012/13 estimated £'000 2,060

1.5.10 We, therefore, **RECOMMEND** that for the financial year 2007/08 the prudential indicators listed in paragraphs 1.5.5 and 1.5.9 be recommended to Council for adoption.

1.6 Consultation with Non-Domestic Ratepayers

1.6.1 Representatives of the Council's Non Domestic Ratepayers have been consulted in respect of the draft revenue budget and capital plan. The deadline given for responses was 19 January 2007. Cabinet is advised that no comments have been received.

1.7 Update of Medium Term Financial Strategy

1.7.1 At paragraph 1.1.4 we set out the objectives of the current Medium Term Financial Strategy (MTFS) and it has been our intention throughout this process, to reaffirm the continuing appropriateness of the objectives supported by the review of the Robustness of the Estimates and the Adequacy of the Reserves **[Annex 16]**. As members will see, we believe that all the objectives continue to be appropriate and should be reaffirmed.

- 1.7.2 The budget for 2007/08 is, naturally, the starting point for updating the MTFs. Referring to the holding report, members will note the current 2007/08 estimate summary total is £13,998,450. This is £133,050 less than the summary total presented in the Draft Estimates Booklet and reflects additional information that has come to light since preparing the booklet. The following further adjustments are proposed:

Table 4 - Draft Revenue Estimates Amendments

	2007/08 Estimate £
Holding Report Summary Total	13,998,450
Add:	
Additional Capital Plan List B items to be transferred to List A (paragraph 1.4.3)	73,900
Provision for Fast-track Capital Plan items (paragraph 1.4.6)	4,550
 Amended Summary Total	 <u>14,076,900</u>

- 1.7.3 This amended summary total is used in the budget projections shown in table 5. It is worth at this stage reminding ourselves of the Government's stance regarding **Capping**. As members will recall, one of the objectives contained within the Medium Term Financial Strategy is to develop a strategy so as to avoid, as far as possible, the threat of council tax capping by the Secretary of State.
- 1.7.4 The Government has declared its intention to identify local authorities that bring in council tax increases greater than 'low single figures' for capping purposes. Whilst a 'Cap' has not formally been declared, **the Department for Communities and Local Government has made it clear that it expects to see average council tax increases of less than 5%.**
- 1.7.5 The MTFs adopted last year assumed council tax increases of 4.95% for each and every year of the strategy, and it has been our intention throughout this process, where at all possible, to reaffirm this level of increase.
- 1.7.6 Bringing all the strands of this report together, members will note from the table below that the objectives of the Medium Term Financial Strategy (see paragraph 1.1.4) **can be met**, but with only a small margin for error. Therefore, as we move through the period covered by the MTFs it will clearly be very important to monitor closely actual performance against the assumptions built into the strategy and to initiate corrective action should this prove necessary.

Table 5 - Revenue Budget Plan and Projected Council Tax Levels 2007/08 - 2012/13

	Estimate 2007/08	Project'n 2008/09	Project'n 2009/10	Project'n 2010/11	Project'n 2011/12	Project'n 2012/13
	£000	£000	£000	£000	£000	£000
EXPENDITURE						
Employees	11,368	11,537	11,825	12,120	12,533	12,857
Transfer Payments	24,716	25,334	25,967	26,616	27,281	27,963
Other Expenditure	12,909	12,201	12,588	12,808	13,179	13,534
Capital Charges	2,105	2,158	2,212	2,267	2,324	2,382
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Total Expenditure	51,098	51,230	52,592	53,811	55,317	56,736
INCOME						
Fees & Charges	(6,659)	(7,070)	(7,213)	(7,359)	(7,559)	(7,944)
Specific Grants & Misc	(26,124)	(26,533)	(27,193)	(27,870)	(28,563)	(29,274)
Investment Income	(1,746)	(1,457)	(1,375)	(1,313)	(1,284)	(1,186)
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Total Income	(34,529)	(35,060)	(35,781)	(36,542)	(37,406)	(38,404)
Appropriations	(2,492)	(1,710)	(1,834)	(1,699)	(1,728)	(1,737)
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NET BUDGETED SPEND	14,077	14,460	14,977	15,570	16,183	16,595
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FUNDING						
Revenue Reserves	622	396	241	121	0	(337)
Government Grant	6,330	6,488	6,650	6,816	6,986	7,161
Council Tax	7,099	7,576	8,086	8,633	9,197	9,771
Collection Fund Adjustment	26	0	0	0	0	0
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Total Funding	14,077	14,460	14,977	15,570	16,183	16,595
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Band D Council Tax	£151.98	£159.50	£167.39	£175.67	£184.36	£193.48
Increase on Last Year	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%
Reserves Balance C/Fwd	3,898	3,502	3,261	3,140	3,140	3,477

1.7.7 Turning back to the specific budget year 2007/08, an updated summary of the estimates booklet is attached at **[Annex 11]**. The final column incorporates all the adjustments set out in paragraph 1.7.2 above. Members should note that the budget for 2007/08 is supported by a take from reserves of £622,200.

1.7.8 Cabinet is **RECOMMENDED** to:

- 1) Endorse the adjustments to the draft estimates outlined in paragraph 1.7.2.
- 2) Update the Medium Term Financial Strategy as set out at paragraph 1.7.6 above.

1.8 Collection Fund Adjustments

- 1.8.1 As the billing authority for the area, this Council has responsibility for maintaining the 'collection fund' accounts into which all the council taxes are paid (including those collected on behalf of other precepting authorities).
- 1.8.2 Each year before we can finalise our calculations in respect of the tax requirements, we have to calculate the surpluses / deficits on the collection fund and then share them between the major precepting authorities (including ourselves). These are known as collection fund adjustments.
- 1.8.3 The adjustments relate to balances in the collection fund regarding the collection of council tax. Members may recall that any balance (positive or negative) has to be apportioned between the major precepting authorities and the billing authority. The surplus, which was calculated on 15 January in accordance with statutory requirements (see **[Annex 12]**), is £186,871. The Borough Council's share of the surplus is **£25,843**. This surplus must be taken into account when setting the council tax for 2007/08.

1.9 Parish Councils

- 1.9.1 For completeness, Cabinet is reminded that the Borough Council's expenditure is inclusive of the payments to Parish Councils under the Borough Council's Scheme of Financial Arrangements. Details of the Financial Arrangements for 2007/08 are set out at **[Annex 13]** for members' information.
- 1.9.2 In addition, the precepts of the Parish Councils are the Special Area expenses of the Borough Council for the purpose of setting the Council Tax. Details of Parish Council precepts notified to the Borough Council are given at **[Annex 14]**.

1.10 Robustness of Estimates / Adequacy of Reserves

- 1.10.1 The Council is required to have regard to the level of its balances and reserves before determining its budget requirement. **[Annex 15]** sets out the Council's projected revenue reserve balances assuming members endorse the Medium Term Financial Strategy set out earlier in this report.
- 1.10.2 The Local Government Act 2003 requires the Chief Financial Officer to report to an authority, when making the statutory calculations required to determine its council tax, on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.
- 1.10.3 What is required is the professional advice of the Chief Financial Officer on these two questions. This responsibility is discharged by way of a certified Statement. A Statement is accordingly appended at **[Annex 16]**.
- 1.10.4 A schedule of the reserves held by the Council at the 1 April 2006 and proposed utilisation of those reserves to the 31 March 2008 is provided in Table A to

[Annex 16]. As this Council's Chief Financial Officer, the Director of Finance has undertaken a review of the earmarked reserves held and is satisfied as to the position depicted in Table A and will revisit the position as part of the closedown process for 2006/07.

1.10.5 Members will note that overall the Director of Finance signifies that, in her professional opinion, the estimates are robust and the level of reserves adequate.

1.10.6 Members are **RECOMMENDED** to note and endorse the Statement provided by the Director of Finance.

1.11 Calculation of Budget Requirement 2007/08

1.11.1 Section 32 of the Local Government Finance Act 1992 requires a calculation to be made of the sum required by the Council for budget purposes. Assuming Cabinet's concurrence with the recommendation set out in paragraph 1.7.8, the resulting calculation is set out at **[Annex 17]**. The Council will be required to pass a resolution agreeing the calculation in due course and it should be noted that, for this purpose, the Borough Council's budget would include the Parish Council precepts.

1.12 Calculation of Borough Council's Tax Requirement

1.12.1 Having made the above calculation inclusive of Parish Council precepts, the Borough Council must make the adjustments required to determine its call on the Collection Fund. The Aggregate External Finance (see paragraph 1.3.2) and the adjustment in respect of the Collection Fund (see paragraph 1.8.3) reduce the gross amount calculated above. These are set out below:

	£
Aggregate External Finance	6,329,988
Collection Fund Adjustments	25,843

Total	6,355,831

1.12.2 **[Annex 18]** sets out the calculation for members' information.

1.13 Legal Implications

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

1.14 Financial and Value for Money Considerations

1.14.1 As set out above.

1.15 Risk Assessment

1.15.1 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 Summary of Recommendations

1.16.1 Cabinet is **RECOMMENDED** to:

- 1) Update the Capital Plan as set out in paragraph 1.4.12 and recommend that Council adopt the Capital Plan accordingly;
- 2) Endorse the prudential indicators listed in paragraphs 1.5.5 and 1.5.9 and recommend to Council that they be adopted;
- 3) Endorse the adjustments to the draft estimates outlined in paragraph 1.7.2;
- 4) Update the Medium Term Financial Strategy as set out at paragraph 1.7.6; and
- 5) Note and endorse the Statement provided by the Director of Finance as to the Robustness of the Estimates and the Adequacy of the Reserves.

Background papers:

Letter and supporting papers from DCLG re Final Settlement dated 18 January 2007 (contained on DCLG website)
www.local.communities.gov.uk/finance/0708/grant.htm

contact: Sharon Shelton
 David Hughes
 Neil Lawley
 Phil Hobbs
 Michael Withey
 Paul Worden

Sharon Shelton
 Director of Finance

David Hughes
 Chief Executive

Mark Worrall
 Leader

Michael Dobson
 Cabinet Member for
 Resources and
 Capital Projects