



**TONBRIDGE & MALLING
BOROUGH COUNCIL**

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ANNEX 1

3 January 2008

The Rt Hon John Healey MP
Minister for Local Government
c/o Ms Nikki Hinde
Zone 5/J2
Eland House
Bressenden Place
London SW1E 5DU

Dear Minister,

PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT

We write on behalf of Tonbridge & Malling Borough Council in response to the announcement of the provisional local government finance settlement. You will be aware that this Council will receive the minimum ('floor') increase for shire district councils for 2008/09 (1.0% on our 2007/08 adjusted grant) and 2009/10 (0.5%); and will receive marginally more than the floor (0.6%) for 2010/11. We must point out that our 2008/09 increase is, in fact, only 0.4% following a halving of the Waste Performance and Efficiency grant (see later).

In setting out the context of our response, might I remind you that this Council has been rated '**Excellent**' by the Audit Commission under the Comprehensive Performance Assessment regime, with the highest score of any district council in the country, and has achieved a **Use of Resources score of level '4'** in the latest assessment i.e. 'well above minimum requirements – performing strongly'. In addition, we have fulfilled all of the requirements under the Annual Efficiency regime, and in 2007/08 set a Band D council tax of £151.98, which is the **average Band D** council tax for all shire district councils despite receiving one of **the lowest government grants per capita** in the country.

Further, in the recent General Satisfaction Survey (2006/07), the Council was pleased to note that **78%** of our residents believe we are **efficient and well run**. This was the top score of the 12 district councils in Kent and the second highest score for district councils in the country as a whole. **59%** of residents felt that we provided **good value for money**, which again was the top score in Kent and a full 10% higher than the next best and the fifth best score for district councils in the country as a whole. We are, therefore, proud of our organisation and the services we have been able to deliver to our residents with the limited resources available to us.

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Set against this background of success, the provisional settlement for Tonbridge & Malling Borough Council is of **grave concern** to us. We fear that the services for which we, and our residents, are so justifiably proud are under severe threat. It is not, of course, the provisional settlement alone that places severe financial pressure on this Council. We have also been hit by the ever-escalating costs of, and under-funding for, the Concessionary Travel Scheme (more of which later) added to which it should not be forgotten that the Council is being hit, over the next three years, by annual 5% cuts in the Housing Benefit and Council Tax Benefit Administration Grant. In monetary terms, this will translate to reductions of £35,000 in 2008/09, £66,000 in 2009/10 and £98,000 in 2010/11. Suffice it to say, as this reduction in grant is in the DWP's response to the Gershon Efficiency agenda, we were not consulted over this reduction prior to the announcement. It is also of questionable morality that a Government department should meet its own efficiency targets by simply transferring the requirement to local authorities. We shall have, of course, new efficiency targets of our own to meet over the course of the next three years – efficiencies that compound those we have already achieved to date.

We did say that we would return to the thorny issue of concessionary fares. As a Council we have absolutely no control over these costs. We cannot control the take-up or usage of passes; we cannot control the fares set by the operators; nor can we control the outcome of appeals. Our fear is that with the escalation of appeals from operators across the country, the situation can only get worse. The announcement of additional (special) grant funding from April 2008 when the Scheme moves to 'national status' will see the Council receive an extra £251,000. Current estimates from our consultants for the year ahead show that the Council could see a net shortfall on funding which could range from £150,000 to £320,000 (or worse) depending upon the usage and the outcome of the appeals. Is it appropriate for a district council to carry such a great degree of financial risk for a service over which it has no control?

We read, with some incredulity, within a 'Frequently Asked Questions' document from the Department for Transport -

(Source:<http://www.dft.gov.uk/pgr/regional/buses/concessionary/nbcfaddtngnraants/concessgr antfaqs.pdf>)

the following response to a question posed by authorities:

Q8: Why aren't you funding local authorities for the actual costs incurred?

A8: Such an approach would mean that central government would hold all the financial risks but have no commensurate control of how the risks are managed. It is fundamental that the control over scheme costs, the bearing of financial risk, and the incentive to reduce costs are within the same body - the Travel Concession Authority.

Could we respectfully remind you that this is a national scheme that has been introduced by central government. Travel Concession Authorities (many of which are district councils) do not have control over the costs, as we have set out above. The uncertainty about costs and the clear funding gap even at current levels has put this Council, and many like it, in a serious dilemma. If we are to abide by government expectations regarding low council tax increases, the Council will be forced into a position whereby it will be unable to provide

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adequate funding for local services and priorities. Quite simply, this is an untenable position for local authorities and, despite the DfT's original and flawed response as set out above, we urge the government to guarantee 'year-end' funding to local authorities on the basis of actual costs incurred in providing the national concessionary travel scheme. To do otherwise is unfair and immoral.

Returning to the settlement itself, we have further observations to make. Firstly, we would seek clarification of the grants that are being 'passported' into RSG for the first time in 2008/09. We note that the Waste Performance and Efficiency Grant is 'itemised' at only £48,000. For the past two years, this Council has received grants for this function for double that amount – in 2007/08, for example, our grant is £96,000. We note that the 'passported' grant nationally for Waste Performance and Efficiency appears to have reduced as it has been absorbed into RSG. In 2006/07, the total of grants nationally for Waste Performance and Efficiency was £105m. In 2007/08 it is £110m. In 2008/09, the total amount being passported into RSG appears to be only £45m. We were unaware that this apparent reduction was planned, particularly given the priority afforded to Waste management, and would be grateful if you could advise where this intention was signalled.

We have, in the past, written regarding the settlement for this Council but our representations have been ignored. We have pointed out the fact that this Council received one of the lowest per capita grant settlements in the country and this year is no exception. Whilst we could repeat the same points again, we suspect that this would be fruitless. There is an important point we seek to make, however. We note that the government has assessed the Aggregate External Finance limit for 2008/09 as £23,409m; an increase of £846m. We note that the re-distribution from the NNDR pool has increased by £2,000m and RSG has reduced by some £1,154m in 2008/09. We have been unable to ascertain where the £1,154m has been transferred, despite having sought assistance from CIPFA and other local government finance consultants. We have been advised that if the government were to support an increase in the 'floor' by, say, 0.5%, this would cost only £48m and would assist 210 out of 403 local authorities. Bearing in mind the extreme pressure authorities like Tonbridge & Malling will face – and the cuts to services residents may face - we urge the Government to reconsider the floor limits that have been imposed.

Finally, we calculate that the below inflation settlements, the shortfall in concessionary fares funding and the reductions in grants in respect of both Waste Performance & Efficiency and Housing Benefit and Council Tax benefit Administration grant will mean that the Council suffers a reduction of over £0.5m by the year 2010/11 (i.e. the final year of this settlement period). On its own this would require a 7% increase in council tax. The majority of residents will not, of course, understand the implications of this reduction in central funding for local government services – they simply want to see services maintained and improved. The excellent feedback that we have received from our residents confirms to us that the services we provide are highly valued. We note the Minister's wish that council tax increases are *substantially below 5%*. In keeping with the Council's excellent CPA rating and the Audit Commission's assessment of our use of resources as being at the highest possible level we will continue to make substantial efficiency savings. The financial pressure that has been placed on this Council through this provisional settlement and the other factors we have mentioned will, however, make it impossible to contain a rise in our council tax to substantially below 5% unless Government and, more importantly, our residents are willing to accept significant reductions in our services.

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We urge you to give serious consideration to the issues we have raised, especially reconsideration of the floor limits you have imposed, and look forward to receiving a positive response.

Yours sincerely



Mark Worrall
Leader of the Council



David Aikman
Cabinet Member for Finance



David Thornevell
Leader of the Opposition