

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**CABINET**

**02 February 2010**

**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 2010/11” AND A REPORT ON “SETTING THE COUNCIL TAX FOR 2010/11” WILL BE CIRCULATED BEFORE THE MEETING ON 2 FEBRUARY**

**1 REVENUE AND CAPITAL ESTIMATES 2010/11**

**This is a short report to update Members on issues relating to the setting of the Revenue Budget for 2010/11, the Capital Plan and the level of Council Tax for 2010/11. A more detailed supplementary report in liaison with the Leader of the Council and the Cabinet Member for Finance will be circulated before the meeting on the 2 February.**

**1.1 Medium Term Financial Strategy**

1.1.1 The Council adopted a Medium Term Financial Strategy, spanning a six-year period and covering both revenue and capital budgets for the first time as part of the budget setting process for 2004/05. It is this Strategy that underpins the budget setting process for the forthcoming year and over the six-year 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. 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.

**1.2 Revenue Estimates 2010/11**

1.2.1 The draft Revenue Estimates for 2010/11 were presented to the meeting of the Finance and Property Advisory Board and Policy Overview 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 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 Since preparing the draft Revenue Estimates Booklet, a number of changes have emerged and the Estimates have been updated accordingly. The changes are detailed below.

	<b>Revised Estimate 2009/10 £</b>	<b>Original Estimate 2010/11 £</b>
Summary Total reported to Finance and Property Advisory Board on 5 January	13,872,050	14,946,750
Housing Benefits Administration Grant		(20,800)
Counter Fraud Administration Grant		(5,400)
Council Tax Benefits Administration Grant		(12,900)
Contract Payments – RPI Adjustment		78,100
Reduction in Green Waste Income		25,000
<b>Current Summary Total</b>	<b>13,872,050</b>	<b>15,010,750</b>

### 1.3 Government Grant 2010/11

- 1.3.1 The settlement figure for 2010/11 notified to us on 24 January 2008 was restated in the provisional local government finance settlement announced on 26 November 2009 and confirmed in the final settlement announced in January 2010.

### 1.4 Capital Plan Review

- 1.4.1 The Capital Plan Review process started at the Finance and Property Advisory Board on 5 January followed by the Policy Overview Committee on 19 January.
- 1.4.2 Members at these meetings endorsed as detailed in the papers the following recommendations:
- 1) The position of the existing Capital Plan (List A) as summarised in Annex 1 of the report to the Policy Overview 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 Policy Overview Committee.

- 3) Schemes to be evaluated over the coming year, with those so indicated, selected for immediate evaluation as detailed in Annex 3 of the report to the Policy Overview Committee.
- 4) The schemes in Annex 4 of the report to the Policy Overview Committee be treated as follows:

Transfer from List C to List B:

Car Park Enhancement Programme Phase 3  
 Ton Castle East Curtain Wall  
 Larkfield Leisure Centre: Larkabout Toilets  
 Angel Changing / Toilets / Meeting Rooms  
 Refurbishment of Tonbridge Farm Pavilion  
 Racecourse Sportsground: Bridge Repair  
 Hayesbrook School All Weather Pitch  
 Wrotham School All Weather Pitch  
 Hill Top/Priory Wood Children's Play Equipment.

Retain on List C:

Larkfield Leisure Centre: Fitness Studio

- 1.4.3 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.
- 1.4.4 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. In order to get to this position, last year Cabinet agreed to adopt a new approach with regard to the preparation of the Capital Plan.
- 1.4.5 It is probably worthwhile just reminding ourselves of the 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. This allowance based on current projections works out on average at £600,000 per year if we do not wish to have recourse to borrowing until at least the contribution to the reserve matches the funding required for the replacement of our assets and providing money for statutory services.

1.4.6 However, after the next General Election and subsequent Spending Review there will undoubtedly be a need to again revisit the capital plan process and the funding of capital expenditure as part of a fundamental review of our overall finances.

## **1.5 Supplementary Reports**

1.5.1 Detailed supplementary reports on Setting the Budget for 2010/11 and on Setting the Council Tax for 2010/11 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 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 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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Chief Executive

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