

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

01 February 2011

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 2011/12” AND A REPORT ON “SETTING THE COUNCIL TAX FOR 2011/12” WILL BE CIRCULATED BEFORE THE MEETING ON 1 FEBRUARY

1 REVENUE AND CAPITAL ESTIMATES 2011/12

This is a short report to update Members on issues relating to the setting of the Budget for 2011/12. 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 1 February.

1.1 Medium Term Financial Strategy

- 1.1.1 The Council's current 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.
- 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 pending 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 However, throughout the budget setting process we have reiterated the commitment we made to undertake a fundamental review of our overall finances when a clearer picture began to emerge about the extent of the decrease in general government grant and, as a consequence the financial challenge faced by

the Council. This review to include a detailed re-examination of the objectives set out in the Medium Term Financial Strategy.

- 1.1.5 We now know the extent of the decrease in government grant, at least for the next two years and, as a result, are minded to move to a Medium Term Financial Strategy spanning a ten-year period and to set the minimum general revenue reserve balance at £2m.

1.2 Revenue Estimates 2011/12

- 1.2.1 The draft Revenue Estimates for 2011/12 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 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 deferral of the transitional increase in Members' Allowances as recommended by the Joint Independent Remuneration Panel*.
- 1.2.2 Since preparing the draft Revenue Estimates Booklet, a number of changes including that mentioned above have emerged and the Estimates have been updated accordingly.
- 1.2.3 One of the changes we have made involves the 'council tax freeze' grant. We have been advised of the level of grant the Council will receive if it either freezes, or reduces, its council tax for 2011/12. For this Council, the grant (as notified to us) is £211,900. Whilst it will be for Cabinet and subsequently the Full Council to determine whether there is a 'freeze' in council tax when the budget is set, Members have indicated during the course of this cycle that a freeze in council tax for 2011/12 is what they intend to support. Therefore, we have taken the liberty of introducing the additional government grant for a 'freeze' into the adjustments.
- 1.2.4 The changes are detailed below.

	Revised Estimate 2010/11 £	Original Estimate 2011/12 £
Summary Total reported to Finance and Property Advisory Board on 5 January	14,857,950	15,146,100
Concessionary Fares	56,750	
Economic Adjustment	(200,000)	
Members Allowances		(32,550)
Council Tax Freeze Grant		(211,900)
Current Summary Total	14,714,700	14,901,650

1.3 Local Government Finance Settlement

- 1.3.1 The Council's provisional local government finance settlement figure for 2011/12 is £4,863,117 and for 2012/13 is £4,277,679. Figures for the remaining two years covered by the Comprehensive Spending Review have not been provided. At the time of writing the final settlement is awaited and we have not, as yet, been given a date as to when the announcement will be made.
- 1.3.2 The consultation on the provisional settlement (which was not announced until 13 December 2010) ends on 17 January 2011, and the CLG will need to analyse any comments and make any adjustments to the formula grant model as they see fit based on those comments. Therefore, there is a fair possibility that we may not receive our final grant settlement either before the supplementary reports are circulated prior to the meeting, or indeed before the meeting itself.
- 1.3.3 That said, based on the experience of previous settlements, we do not expect our final grant settlement to differ significantly from the provisional settlement. On that basis, receipt of our final grant settlement, if different, will simply require an amendment to the contribution from/to the general revenue reserve as appropriate, but will not change either the budget requirement or council tax requirement. (If the final settlement were to be significantly different to the provisional settlement, Members may feel that it would be necessary to re-visit the budget as currently prepared, but we do not believe this will be the case).
- 1.3.4 The Director of Finance will update Members following receipt of the Council's final grant settlement as appropriate, if not received by the meeting date, at the Council Budget meeting on 17 February.

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. In order to get to this position a few years ago Cabinet agreed to adopt a new approach with regard to the preparation of the Capital Plan.
- 1.4.3 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.

1.4.4 In setting the budget for 2010/11 and in advance of the fundamental review of the Council's finances that allowance was set at £350,000. For Members' information calls against the 2011/12 allowance currently total £241,000.

1.4.5 The Capital Plan Review process started at the Finance and Property Advisory Board on 5 January followed by the Policy Overview Committee on 18 January.

1.4.6 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 *with the exception of the Environmental Improvements to Watergate/Chequers Lawn, Tonbridge; Mereworth Village Entry Enhancements; and Wateringbury Conservation Area.*
- 3) Schemes to be evaluated over the coming year, with those so indicated, selected for fast track 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:

Tonbridge Swimming Pool: Disinfection System
 Larkfield Leisure Centre: Energy Saving Measures
 Public Open Spaces Site Improvements
 Tonbridge Memorial Garden Improvements
 IT Initiatives: Homeless Management System

- 5) Approved a contribution of £120,000 in this year to the revenue reserve for capital schemes using unallocated Local Authority Business Growth Scheme monies and as a result of the better than expected budget position.
- 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 2011/12 and on Setting the Council Tax for 2011/12 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 In respect of the council tax freeze grant, payments to authorities will be made through the grant-making powers in section 31 of the Local Government Act 2003

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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