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**TONBRIDGE & MALLING**  
**BOROUGH COUNCIL**

EXECUTIVE SERVICES

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**Chief Executive**

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10 February 2016

Dear Councillor

**CABINET - THURSDAY, 11TH FEBRUARY, 2016**

I am now able to enclose, for consideration at the Thursday, 11th February, 2016 meeting of the Cabinet, the following reports that were unavailable when the agenda was printed.

**Agenda No    Item**

7.     **Setting the Budget for 2016/17 (Pages 3 - 92)**

Yours sincerely

J E BEILBY  
Chief Executive



# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

11 February 2016

**Report of the Chief Executive, Director of Finance and Transformation, Leader of the Council and Cabinet Member for Finance, Innovation and Property**

### Part 1- Public

#### Matters for Recommendation to Council

## 1 SETTING THE BUDGET

**Further to reports to the meeting of the Finance, Innovation and Property Advisory Board and Overview and Scrutiny Committee earlier in the cycle, this report updates Cabinet on issues relating to the Medium Term Financial Strategy. It also takes Members through the necessary procedures in order to set the Budget for 2016/17.**

### 1.1 Introduction and Foreword

- 1.1.1 At the Full Council meeting on 16 February, Members will determine both the Budget and the level of council tax for 2016/17. The detailed Estimates for 2016/17 prepared by your Officers have been carefully considered by the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee. Details are set out at paragraph 1.3 below.
- 1.1.2 Whilst the primary purpose of this report is for Cabinet to recommend the Budget and resultant level of council tax for 2016/17; as ever, this one year cannot be viewed in isolation. This budget sits within the context of our Medium Term Financial Strategy (MTFS) covering a ten-year period. Financial decisions made in respect of the year 2016/17 will have an impact across the MTFS and upon the savings targets the Council will need to achieve in order to 'balance its books' and we must not lose sight of the scale of this particular challenge.
- 1.1.3 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. The final local government finance settlement was confirmed on 8 February. For the year 2016/17 a referendum will be triggered where council tax is increased by the higher of **2% or £5**. For the purposes of preparing the budget papers an increase of £5 each year for the four-year period 2016/17 to 2019/20 has been assumed; and beyond 2019/20 the MTFS assumes a 3% increase in council tax year on year. To put this into context, 1% currently equates to about £90,000.

- 1.1.4 Undoubtedly the Council continues to face a significant financial challenge in respect of identifying and implementing savings over the coming years. As Members are aware, we set a target of achieving savings of £200,000 this financial year, and this has been achieved.
- 1.1.5 However, with the Local Government Finance Settlement over the four-year period 2016/17 to 2019/20, together with the proposed changes to NHB redistributing funding to authorities with responsibility for social care it is estimated **further savings** of circa £1.825m (and potentially a greater sum) need to be identified and implemented over the medium term should a council tax increase of £5 be approved.
- 1.1.6 Members will note that the further savings figure of £1.825m is marginally 'better' than the figure quoted in the Savings & Transformation Strategy report elsewhere on this agenda. This is due to the impact of the remodelling of the MTFS we have undertaken following the release of the final settlement and the ongoing adjustments being made to the estimates set out in the table at paragraph 1.3.2.
- 1.1.7 This report necessarily touches on a number of related areas (some of which are complex) that the Director of Finance and Transformation is required to draw to Members' attention in order to provide assurance and advice to aid decision making. The report is, therefore, broken down into sections dealing with the following areas:
- Local Government Finance Settlement
  - Revenue Estimates 2016/17
  - Fees and Charges
  - Capital Plan
  - Treasury Management and Annual Investment Strategy
  - Consultation with Non-Domestic Ratepayers
  - Medium Term Financial Strategy Update
  - Savings and Transformation Strategy
  - Collection Fund Adjustments
  - Parish Councils
  - Robustness of Estimates / Adequacy of Reserves
  - Calculation of Borough Council's Tax Requirement

## 1.2 Local Government Finance Settlement

- 1.2.1 On 17 December 2015, the Secretary of State for the Department for Communities and Local Government, Greg Clark MP, made a statement to Parliament on the provisional local government finance settlement for 2016/17. The final figures were (eventually) confirmed on 8 February 2016, and Members will see later in this report that the Secretary of State has made some changes as a result of the responses to the consultation. The government will offer any council that wishes to take it up a four-year funding settlement to 2019/20 and as a result illustrative allocations up to 2019/20 have also been provided.
- 1.2.2 A new methodology has been adopted where rather than applying the same percentage cut to all local authorities, the government now propose to take into account the amount that can be raised locally from council tax. The government has also altered the split of funding between tiers of government seemingly in favour of upper tier authorities, with larger funding reductions for district councils. This approach sees our revenue support grant reduce to zero by 2017/18 and thereafter further reductions are reflected by way of a 'tariff adjustment' under the business rates retention scheme. What this highlights is that the Settlement has been designed taking in account the particular pressures experienced by councils which provide adult social care and children's services (robbing Peter - district councils - to pay Paul - authorities with responsibility for social care - comes to mind).
- 1.2.3 As Cabinet will be aware, a robust response was sent in response to the provisional settlement, and the Council also collaborated with other district councils who found themselves in a similar predicament in making a further joint response. The Secretary of State has listened, in part, to the concerns raised. Changes to the provisional settlement on publication of the final settlement for Tonbridge & Malling Borough Council are:
- 1) Transitional funding provided for 2016/17 and 2017/18.
  - 2) Removal of tariff adjustment in 2017/18 and 2018/19 (reduction of £998,296 remains in place for 2019/20).
  - 3) Increase in the council tax referendum limit for all district councils to the higher of 2% or £5 over the four years.
- 1.2.4 There is no additional central government funding for 2019/20 meaning it is only the pace of reductions in funding that is now less severe as a result of these changes. **In other words, the financial 'baseline' for the future is still the same.**
- 1.2.5 Our Settlement Funding Assessment (core funding) for 2016/17 and illustrative allocations up to 2019/20 can be seen in the table below. In 2019/20 our Settlement Funding Assessment is projected to be £1,283,705. This represents a

cash decrease of £2,394,894 or 65.1% when compared to the equivalent figure of £3,678,599 in 2015/16.

- 1.2.6 Included in the Settlement Funding Assessment is the parish councils' indicative allocation in respect of the council tax reduction scheme (CTRS), however, it is not separately identified. Members are aware that this Council has traditionally passed on this funding to parish councils even though it is not separately identified; although some councils have chosen not to do so. Elsewhere on this agenda in the Savings & Transformation Strategy report, it is suggested that Cabinet discuss the CTRS funding with parish councils alongside the review of the Scheme of Financial Arrangements.
- 1.2.7 The Council's grant award for 2016/17 and illustrative figures up to 2019/20 under the New Homes Bonus scheme can also be seen in the table below and reflect proposed changes, the subject of consultation, to the scheme. Again, the proposed changes are designed to deliver savings which can be redistributed to authorities with responsibility for social care ('robbing Peter to pay Paul'). In 2019/20 NHB is projected to be £2,332,049. This represents a cash decrease of £769,104 or 24.8% when compared to £3,101,153 in 2015/16.
- 1.2.8 In 2019/20 Total Grant Funding is projected to be £3,615,754. This represents a cash decrease of £3,163,998 or 46.7% when compared to the equivalent figure of £6,779,752 in 2015/16.

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Local Share of Business Rates	2,089,115	2,106,525	2,147,957	2,211,323	2,282,001
Tariff Adjustment					(998,296)
Revenue Support Grant	1,589,484	655,042			
Transition Grant		134,829	117,201		
<b>Settlement Funding Assessment</b>	<b>3,678,599</b>	<b>2,896,396</b>	<b>2,265,158</b>	<b>2,211,323</b>	<b>1,283,705</b>
Change over SR Period (£)					(2,394,894)
Change over SR Period (%)					-65.1%
New Homes Bonus ##	3,101,153	3,843,083	3,868,610	2,430,513	2,332,049
<b>Total Grant Funding</b>	<b>6,779,752</b>	<b>6,739,479</b>	<b>6,133,768</b>	<b>4,641,836</b>	<b>3,615,754</b>
Change over SR Period (£)					(3,163,998)
Change over SR Period (%)					-46.7%

## Note: These are the figures set out in the Settlement consultation which are subject to change.

- 1.2.9 In recent years the government has referred to the increase / (decrease) in an authority's spending power (now known as core spending power) and this is what

tends to be quoted in media coverage. The decrease in core spending power calculated by the government over the four-year period is 8.7%.

- 1.2.10 In overview, the Settlement, alongside the NHB proposals, brings added funding pressure for district councils and the services they provide and could put financial sustainability at risk.
- 1.2.11 **Of the twelve district councils in Kent, Tonbridge & Malling Borough Council continues to receive one of the lowest, if not the lowest, Settlement Funding Assessment both in total and per head.** A comparison of our Settlement Funding Assessment each year for the period 2016/17 to 2019/20 with those of other Kent district councils is provided at **[Annex 1a]**.
- 1.2.12 Attached at **[Annex 1b]** for Members' information is a copy of the Referendums Principles setting out the level of council tax increase for 2016/17 above which the local authority would be required to seek the approval of their electorate via a local referendum.

### 1.3 Revenue Estimates 2016/17

- 1.3.1 As mentioned in the Foreword, the draft Revenue Estimates for 2016/17 were presented to the meetings of the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee earlier in the cycle. The role of the Advisory 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 priorities. Whilst a number of questions were posed by Members at these meetings, the Revenue Estimates as presented were endorsed.
- 1.3.2 Adjustments made to the Revenue Estimates presented to the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee are detailed in the table below. The movement in the Business Rates Retention Scheme Reserve is largely to take account of the timing differences in the accounting arrangements.

	<b>Revised Estimate 2015/16</b> £	<b>Original Estimate 2016/17</b> £
Summary Total reported to Finance, Innovation and Property Advisory Board on 13 January 2016	11,722,850	11,398,300
Pre-planning advice		(16,000)
Car park charges (excluding West Malling short stay car park)		(46,050)

General Purposes Committee – Establishment report		(18,450)
DWP Administration Grant		(26,300)
Invest to Save Reserve		300,000
Business Rates Retention Scheme Reserve	77,550	(2,000,000)
Transition Grant		(134,850)
<b>Current Summary Total</b>	<b>11,800,400</b>	<b>9,456,650</b>

## 1.4 Fees and Charges

- 1.4.1 During the course of this budget cycle Members have, via the appropriate Advisory Boards, made recommendations regarding the levels of fees and charges to be implemented.
- 1.4.2 Proposals in respect of fees and charges recommended via the appropriate Advisory Boards have been reflected in the Budget (excluding West Malling short stay car park). A summary of these recommendations together with the resolution of Licensing and Appeals Committee in respect of licensing fees is set out at **[Annex 2]**.
- 1.4.3 Members are accordingly **RECOMMENDED** to endorse the fees and charges set out in **[Annex 2]** as recommended by the appropriate Advisory Boards (excluding West Malling short stay car park which is the subject of a petition).

## 1.5 Capital Plan

- 1.5.1 The Capital Plan Review process started at the Finance, Innovation and Property Advisory Board on 13 January followed by the Overview and Scrutiny Committee on 26 January.
- 1.5.2 Members' attention was drawn to the significant financial challenge faced by the Council and the impact this has on the ability of the Council to invest in capital schemes. It was, however, also acknowledged that some capital projects can have a beneficial effect on the revenue position by either generating additional or new income, or alternatively producing cost savings in due course.
- 1.5.3 Members were reminded of the criteria established to guide the inclusion of new schemes to List C (holding list of schemes not yet fully worked up) and ultimately the inclusion of schemes on List A (schemes assigned budget provision). The criteria are:
- to meet legislative requirements including health and safety obligations;

- funded from external resources; and
  - reduce revenue expenditure and or generate income.
- 1.5.4 The subsequent recommendations where appropriate have regard to these criteria.
- 1.5.5 Capital expenditure is currently 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.
- 1.5.6 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 existing assets (vehicles, plant and equipment) as well as recurring capital expenditure.
- 1.5.7 As a result there is 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. It should be noted, based on current projections, that from 2019/20 the Council will need to borrow to fund such expenditure. In order to support the funding arrangement in respect of the Tonbridge Town Lock Scheme in April 2015 the annual capital allowance was set at £200,000 and it is proposed that the annual allowance continue to be set at that level.
- 1.5.8 The Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee endorsed the recommendations as detailed in the papers. The recommendations were:
- 1) Cabinet be asked to endorse the Capital Plan (List A) position as shown in Annex 2 of the Capital Plan Booklet and summarised at **[Annex 3]** noting:
    - (a) The increase in the budget provision in respect of the Tonbridge Town Lock capital plan scheme and how that is to be funded (FIP Advisory Board report paragraph 1.4.3 refers).
    - (b) The additional works at an estimated cost of £20,000 to be met in full by the TMLT and the use of the urgency procedure to amend the Capital Plan accordingly (FIP Advisory Board report paragraph 1.4.4 refers).
    - (c) The increase in the budget provision in respect of the river wall, Wouldham capital plan scheme and how that is to be funded (FIP Advisory Board report paragraph 1.4.6 refers).
  - 2) Members are aware of the undoubtedly difficult financial landscape that lies ahead where it will be difficult to fund other than priority capital plan schemes. As a result a number of what could be termed 'like to do'

schemes that, in many cases, have sat on List C for a number of years are recommended to be deleted and, in so doing, focus attention on what are seen as priority capital plan schemes or where there is the potential for external funding. The schemes listed in **[Annex 4]** are added to List C or deleted from List C as detailed.

- 3) The schemes listed in **[Annex 5]** are selected for evaluation over the coming year including one for Fast-Track evaluation.
- 4) The evaluated List C schemes are progressed in accordance with the recommendation shown in **[Annex 6]**.
- 5) Cabinet be asked to endorse the Capital Strategy at Annex 5 for adoption by Council and publication on the Council's website.

1.5.9 Attention was also drawn to a proposal from Kent County Council (KCC) for the provision of a new / enhanced tow path from Maidstone to Allington lock. KCC and Maidstone Borough Council have secured £2 million from the local growth fund for the project and Maidstone Borough Council has indicated funding of up to £500,000. KCC is seeking a contribution from this Council of up to £300,000 for the project to extend the path from Allington to Aylesford station. Whilst it is recognised that the proposal would be desirable in terms of improving access along the riverside, it does not meet the Council's existing priorities or stated criteria for capital funding, and no developer contributions are either available or forthcoming in the locality. A contribution of £300,000 would be in excess of the Council's entire annual allowance for funding new schemes and could bring forward the date when the Council would have to borrow to fund new capital plan schemes. As a result it is felt that the proposal from KCC cannot be supported.

1.5.10 Members are asked to note the following **updates** post the meeting of the Finance, Innovation and Property Advisory Board and Overview and Scrutiny Committee.

- 1) The Haysden Country Park – Site Improvements scheme has moved to the evaluation stage and **[Annex 5]** updated accordingly.

1.5.11 The estimated annual revenue costs of the evaluated List C schemes are given in the table below. The amount and timing of any revenue impact depends on the profiling of the capital expenditure and the timing of any changes in activity levels which generate changes to running costs or income. It can be seen that if the schemes are progressed as recommended the estimated revenue consequence is £5,000 in 2016/17 and £5,000 in subsequent years.

Scheme	Capital Cost £	Revenue Impact	
		2016/17 £	2017/18 £
Haysden Country Park: Ext. of Play Area	55,000	5,000	5,000
<b>Total</b>	<b>55,000</b>	<b>5,000</b>	<b>5,000</b>

- 1.5.12 The above scheme is to be funded primarily by a grant of £50,000 from the SITA Trust. Release of the grant is subject to a payment to a third party. As a result the balance of £11,000 is to be funded by way of a virement from the Tonbridge Racecourse Sportsground Flood Lighting scheme.
- 1.5.13 An updated summary of the Capital Plan incorporating the schemes listed in paragraph 1.5.11 is attached at **[Annex 7]**.
- 1.5.14 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]**.
- 1.5.15 Accordingly, it is **RECOMMENDED** that:
- 1) Cabinet approves the position of the existing Capital Plan (List A) as summarised at **[Annex 3]** noting:
    - The increase in the budget provision in respect of the Tonbridge Town Lock capital plan scheme and how that is to be funded (FIP Advisory Board report paragraph 1.4.3 refers).
    - The additional works at an estimated cost of £20,000 to be met in full by the TMLT and the use of the urgency procedure to amend the Capital Plan accordingly (FIP Advisory Board report paragraph 1.4.4 refers).
    - The increase in the budget provision in respect of the river wall, Wouldham capital plan scheme and how that is to be funded (FIP Advisory Board report paragraph 1.4.6 refers).
  - 2) Cabinet approves that the schemes as detailed in **[Annex 4]** are added to List C or deleted from List C.
  - 3) Cabinet approves the selection of those schemes listed in **[Annex 5]** for evaluation over the coming year including one for Fast-Track evaluation.
  - 4) Cabinet approves the transfer of schemes detailed in **[Annex 6]** to List A.
  - 5) Cabinet approves the updated Capital Plan (List A) as summarised in **[Annex 7]**.
  - 6) Cabinet endorse the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board on 13 January and the Overview and Scrutiny Committee on 26 January.

## **1.6 Treasury Management and Annual Investment Strategy**

- 1.6.1 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

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).

1.6.2 The Prudential Code requires that the CIPFA Treasury Management Code of Practice (the Code) is adopted and that a number of prudential indicators are set. Council adopted the December 2009 edition of the Code on 18 February 2010 and due regard has also been given to subsequent revisions in preparing the Treasury Management and Annual Investment Strategy for 2016/17.

1.6.3 The approval of the Strategy and determination of the prudential indicators has to be made by Full Council, as do amendments to either the Strategy or indicators during the year.

1.6.4 The Prudential Code 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 actual external debt.
- 5) The upper limit for fixed interest rate exposure.
- 6) The upper limit for variable rate exposure.
- 7) The upper limit for total principal sums invested for over 364 days.
- 8) The maturity structure for new fixed rate borrowing during 2016/17.

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

<b>Treasury Management Prudential Indicators</b>					
<b>Prudential Indicator</b>	<b>2014/15 Actual</b>	<b>2015/16 Revised Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The capital financing requirement	NIL	NIL	NIL	NIL	NIL
The operational boundary for external debt	NIL	2,000	2,000	2,000	2,000
The authorised limit for external debt	NIL	5,000	5,000	5,000	5,000
Actual external debt	NIL	NIL	NIL	NIL	NIL

The upper limit for fixed interest rate exposure >1 year at year end	NIL	It is anticipated that the net exposure will range between 0% to 60%	
The upper limit for variable rate exposure < 1 year at year end	11,466 58.9%	It is anticipated that the net exposure will range between 40% to 100%	
The upper limit for total principal sums invested for over 364 days at year end	NIL 0%	60% of core funds	
The maturity structure for new fixed rate borrowing during 2016/17		Upper Limit	Lower Limit
Under 12 months		100%	NIL
Over 12 months		NIL	NIL

- 1.6.6 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 does not expect to have to borrow to support its capital programme over the period covered, this indicator is nil.
- 1.6.7 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.
- 1.6.8 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.
- 1.6.9 The other prudential indicators which we are required to set are shown in the table below.

### Prudential Indicators

<b>1.</b>	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%.						
	2014/15 actual	2015/16 estimated	2016/17 estimated	2017/18 estimated	2018/19 estimated	2019/20 estimated	2020/21 estimated	2021/22 estimated
	-1.36%	-1.60%	-2.07%	-2.53%	-3.71%	-5.35%	-5.22%	-4.71%
<b>2.</b>	Estimates of the incremental impact of capital investment decisions on the Council Tax	The revenue impact of capital schemes added to the capital plan on the Council Tax Band D equivalent. The figures below show the estimated effect on the Borough Council's Band D equivalent of the addition of List B schemes to list A. A more detailed version of this indicator appears in <b>[Annex 10]</b> .						

		2016/17 estimated £ 0.10	2017/18 estimated £ 0.00	2018/19 estimated £ 0.00	2019/20 estimated £ 0.00	2020/21 estimated £ 0.00	2021/22 estimated £ 0.00
Total							
<b>3.</b>	Actual and estimated capital expenditure	This indicator is based on the updated capital plan position. The figures are based on those shown in <b>[Annex 8]</b> .					
2014/15 actual £'000 2,341	2015/16 estimated £'000 4,696	2016/17 estimated £'000 3,314	2017/18 estimated £'000 1,872	2018/19 estimated £'000 1,679	2019/20 estimated £'000 1,684	2020/21 estimated £'000 1,608	2021/22 estimated £'000 1,485

- 1.6.10 We, therefore, **RECOMMEND** that for the financial year 2016/17 the prudential indicators listed in paragraphs 1.6.5 and 1.6.9 be recommended to Council for adoption.
- 1.6.11 A local authority has a statutory duty to “*determine for the current financial year an amount of minimum revenue provision that it considers to be prudent*” in relation to its capital expenditure. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try and match the years over which such assets benefit the local community through their useful life.
- 1.6.12 The spreading of these costs is through what is termed an *annual minimum revenue provision*. As the Council is debt free and, at least in the short term, does not expect to borrow to support its capital programme the minimum revenue provision is nil. Guidance issued by the Government also recommends that a Minimum Revenue Provision Policy Statement be prepared. We propose to prepare such a Statement at a time when our capital expenditure plans cannot be met without recourse to borrowing. Based on current estimates, this is not anticipated to be until the financial year 2019/20.
- 1.6.13 Members are asked to NOTE that for the financial year 2016/17 our Minimum Revenue Provision is nil.

## 1.7 Consultation with Non-Domestic Ratepayers

- 1.7.1 Representatives of the Council’s Non Domestic Ratepayers have been consulted in respect of the draft revenue budget and capital plan. The consultees, who include the local Chambers of Commerce as well as a group of the larger ratepayers in the Borough receive on request information and copies of the draft budgets and are invited to make written representations if they deem it appropriate. The deadline given for responses was 15 January 2016. ***Cabinet is advised that no comments have been received.***

## 1.8 Medium Term Financial Strategy Update

- 1.8.1 To recap, the Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities.
- 1.8.2 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.
- 1.8.3 Members are fully aware of the significant financial challenge faced by the Council as a result of the Government's ongoing budget deficit reduction programme which has resulted in continuing reductions in the financial support it can offer to local government. We believe, however, that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but with ever increasing pressure this is becoming progressively more difficult.
- 1.8.4 The MTFS sets out the high level objectives the Council wishes to fulfil over the agreed time span and which are:
- To achieve a **balanced revenue budget** that delivers the Council's priorities by the end of the strategy period.
  - To retain a **minimum of £2.0m** in the General Revenue Reserve by the end of the strategy period.
  - Seek to set **future increases in council tax having regard to the guidelines** issued by the Secretary of State.
  - Over the strategy period, **continue to identify efficiency savings and opportunities for new or additional income sources** within the Council's budget to contribute towards the identified 'funding gap'; and, if necessary thereafter, **seek appropriate reductions in service costs** following consultation, as necessary, with taxpayers.
  - Subject to there being sufficient resources within the capital reserve, set a **maximum 'annual capital allowance'** each year as part of the budget setting process for all new capital schemes (currently set at £200,000 from the Council's own resources) and give priority to those schemes that generate income or reduce costs.

1.8.5 In recognition of the Savings and Transformation Strategy report to Cabinet on 17 November 2015 it is proposed that the objective above starting, 'Over the strategy period' be replaced by:

Continue to **identify efficiency savings** and **opportunities for new or additional income sources** and to **seek appropriate reductions in service costs** in delivery of the Savings and Transformation Strategy approved by Members.

Subject to this suggested amendment, Members are asked to reaffirm the high level objectives of the MTFs set out in paragraph 1.8.4 above.

1.8.6 The budget for 2016/17 is, naturally, the starting point for updating the MTFs. Referring to paragraph 1.3.2, Members will note that the Summary Total for the 2015/16 Revised Estimates is £11,800,400; and for the 2016/17 Estimates is £9,456,650 and are used in the budget projections in the Medium Term Financial Strategy at **[Annex 11]**.

1.8.7 When updating the MTFs we need to take into account the following (not exclusive) factors:

- those factors that have contributed towards addressing the 'funding gap';
- those factors that have taken matters in the 'wrong' direction;
- the announcement on the level of council tax increase for 2016/17 above which the local authority would be required to seek the approval of their electorate via a local referendum;
- the ongoing impact of the Business Rates Retention scheme; and
- award of New Homes Bonus.

1.8.8 Members will recall we set ourselves a savings target this year of £200,000. Reflected in the estimates are 'in-service efficiencies' of just over £200,000 recently identified by Management Team (one of the savings themes identified within the Savings and Transformation Strategy). In addition, other net savings of over £100,000 have been reflected.

1.8.9 However, with both the local government finance settlement 2016/17 including illustrative allocations up to 2019/20 and the proposed changes to NHB redistributing funding to authorities with responsibility for social care, the projected 'outstanding' funding gap now stands at £1.825 million (see paragraph 1.1.6) with **potential for further reductions in NHB in the future**. This requires us to introduce an additional savings tranche of £700,000 to be achieved, based on current projections, by the 1 April 2021 (at the latest).

- 1.8.10 Undoubtedly, a significant financial challenge remains and if the ‘gap’ is to be bridged, it is clear that some difficult, and potentially radical, choices will have to be made. A Savings and Transformation Strategy has been recommended by Cabinet to Full Council, and as Members will see from the report elsewhere on this agenda, this has already needed to be extended and hardened since its inception. The Overview and Scrutiny Committee has already embarked on a rigorous review programme of the Council’s services and functions.
- 1.8.11 As in previous iterations of the MTFS the revised savings target can be broken down into tranches. Based on previous decisions by Members with regard to the delivery of savings, I propose the following timescales:
- 1) Tranche one - £625,000 to be achieved by April 2017.
  - 2) Tranche two - £500,000 to be achieved by April 2018.
  - 3) Tranche three - an additional target of £700,000 to be achieved by April 2021 at the latest.
- 1.8.12 The MTFS has been remodelled assuming that the Council will take up the Secretary of State’s revised ‘offer’ in terms of the council tax referendum principles over the 4 year period of the settlement. Indeed, in reworking the core spending power calculations, the DCLG has assumed that district councils will increase council tax to this level. Some of the headline statistics should a council tax increase of £5 be approved are as follows:
- |  |            |
|--|------------|
| <u>2016/17</u>   |            |
| Council Tax Band D   | £192.51    |
| Increase per annum   | £5.00      |
| Increase per week  | 10 pence   |
| Anticipated Council Tax Income                               | £9,169,000 |
| <br><u>MTFS</u>  |            |
| Total Base budget savings required:                          | £1.825m    |
| The savings could be broken down into tranches. For example: |            |
| First tranche by 1 April 2017                                | £625,000   |
| Second tranche by 1 April 2018                               | £500,000   |
| Third tranche by 1 April 2021 at the latest                  | £700,000   |
| Reserve balance at end of period                             | £2.645m    |
- 1.8.13 **[Annex 11]** sets out the picture for the MTFS.

- 1.8.14 In addition, for medium term financial planning purposes beyond 2016/17 we assume that the business rates baseline attributed to TMBC is not notably different to the actual business rates income. If our actual income is less than the baseline set the authority will have to **meet a share of that shortfall up to a maximum of circa £158,000 in 2016/17**. This figure increases each year in line with inflation.
- 1.8.15 Members will appreciate that there is so much uncertainty that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections. The Director of Finance and Transformation is keen to stress (as mentioned at paragraph 1.8.9) that **depending on what happens to in particular NHB, further savings still could be required**. For medium term financial planning purposes we have assumed that the payments are reduced from six to five years and then to four years and that the cost of the scheme is funded in full. If all of the changes proposed in the consultation paper are introduced the NHB allocations would be less than that currently reflected in the MTFs and is an issue we will need to return to following the outcome of the consultation.
- 1.8.16 Turning back to the specific budget year 2016/17. The budget for 2016/17 includes a contribution to the general revenue reserve of £474,500 and a Summary of the Revenue Estimates Booklet should a council tax increase of £5 be approved is attached at **[Annex 12]**.
- 1.8.17 Cabinet is **RECOMMENDED** to:
- 1) Reaffirm the high level objectives of the MTFs, taking on board the amendment set out in paragraph 1.8.5.
  - 2) Note the updates to the MTFs as set out at **[Annex 11]** based on a council tax increase of £5 for 2016/17.
  - 3) Give guidance to Full Council as to the best way forward in updating the MTFs for the next ten-year period, and setting the council tax for 2016/17.

## 1.9 Savings and Transformation Strategy

- 1.9.1 Alongside the MTFs now sits a Savings and Transformation Strategy which was initially considered and recommended by Cabinet on 17 November 2015. The purpose of the Strategy is to provide structure, focus and direction in addressing the significant financial challenge faced by the Council and, in so doing, recognise there is no one simple solution and as a result we will need to adopt a number of ways to deliver the savings within an agreed timetable.
- 1.9.2 As Members will recall, a number of key themes were identified, together with outline targets and an indicative year of implementation for each. The outline targets set out in the original version of the strategy (November) total £1,550,000 which is now insufficient to meet the funding gap. The Strategy has, therefore,

been updated and a new version appears in a report elsewhere on the agenda. Members will see from that separate report that the (original) 'in-service efficiencies' target of £200,000 has been met by the Management Team and has been incorporated into the budget setting process.

## 1.10 Collection Fund Adjustments

1.10.1 As the billing authority for the area, this Council has responsibility for maintaining the 'collection fund' accounts into which business rates and council tax are paid.

1.10.2 Each year before we can finalise our calculations in respect of the tax requirements, we have to:

- Estimate the surplus / deficit on the collection fund for 2015/16 in respect of council tax and then share this between the major precepting authorities (including ourselves).
- Estimate the surplus / deficit on the collection fund for 2015/16 in respect of business rates and then share this between the relevant parties in accordance with the business rates retention scheme.

1.10.3 These are known as collection fund adjustments:

- The **surplus** on the collection fund in respect of council tax is estimated to be £984,801, of which our share is £147,917 [**Annex 13a**].
- The **deficit** on the collection fund in respect of business rates is estimated to be £4,973,117, of which our share is £1,989,247 [**Annex 13b**].

## 1.11 Parish Councils

1.11.1 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 2016/17 are set out at [**Annex 14**] for Members' information.

1.11.2 Also, the Parish Councils were notified on 7 December of their grant allocation in respect of the council tax support scheme. This funding now forms part of the overall Settlement and is not separately identified. The Council has passed on this funding to parish councils even though it is not separately identified; although some councils have chosen not to do so. As a result the funding available was increased by 0.4% (from £173,958 to £174,654) representing the increase in the Borough Council's Settlement including New Homes Bonus in the previous year. This is consistent with the approach adopted in respect of allocations under the Scheme of Financial Arrangements with Parish Councils.

1.11.3 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 15]**.

## **1.12 Robustness of Estimates / Adequacy of Reserves**

1.12.1 The Council is required to have regard to the level of its balances and reserves before determining its council tax requirement. **[Annex 16]** sets out the projected general fund and general revenue reserve balances based on a council tax increase of £5.

1.12.2 The Local Government Act 2003 requires the Chief Financial Officer (in our case the Director of Finance and Transformation) 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.

1.12.3 What is required is the professional advice of the Director of Finance and Transformation on these two questions. This responsibility is discharged by way of a certified Statement.

1.12.4 The Director of Finance and Transformation advises that she is satisfied as to the Robustness of the Estimates and the Adequacy of **Reserves on the understanding that the savings target based on latest projections of £1.825m is delivered.**

1.12.5 A Statement covering the points above is appended at **[Annex 17]**. Members will note that overall the Director of Finance and Transformation signifies that, in her professional opinion, the estimates are robust and the level of reserves adequate.

1.12.6 A schedule of the reserves held by the Council at 1 April 2015 and proposed utilisation of those reserves to 31 March 2017 is provided at **[Annex 17]** Table A. As this Council's Chief Finance Officer, the Director of Finance and Transformation has undertaken a review of the earmarked reserves held and is satisfied as to the position depicted and will revisit the position as part of the closedown process for 2015/16.

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

## **1.13 Calculation of Borough Council's Tax Requirement**

1.13.1 The Council is required to calculate:

- Its aggregate expenditure which, for this purpose, includes our share of any Collection Fund deficit and the Parish Council precepts.

- Its aggregate income which, for this purpose, includes our share of any Collection Fund surplus and the Local Government Finance Settlement (see paragraph 1.2).
- The amount by which the aggregate expenditure exceeds the aggregate income is to be its council tax requirement for the year.

1.13.2 Assuming Cabinet's concurrence with the recommendations set out in paragraph 1.8.17, the calculation is set out at **[Annex 18]**. It should be noted that, for this purpose, the Borough Council's council tax requirement includes the Parish Council precepts.

#### **1.14 Legal Implications**

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

1.14.2 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.

#### **1.15 Financial and Value for Money Considerations**

1.15.1 As set out above.

#### **1.16 Risk Assessment**

1.16.1 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 guidance on assumptions obtained where appropriate.

1.16.2 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. In addition, not identifying and implementing the requisite savings will put at risk the integrity of the Medium Term Financial Strategy.

- 1.16.3 Members are reminded that there are factors not reflected in or throughout the duration of the MTFS, e.g. potential shortfall to be met by the Council in respect of the Business Rates Retention scheme and cost implications as a result of government initiatives to identify housing benefit overpayments and, in turn, reduce the ongoing benefit bill. In addition, beyond 2019/20, the MTFS assumes a 3% increase in council tax year on year whereas the threshold above which a referendum is to be held is currently the higher of 2% or £5.
- 1.16.4 The Settlement includes projected figures for New Homes Bonus which may be difficult to achieve and or potential further reductions would further add to the savings target.
- 1.16.5 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.
- 1.16.6 Failure to endorse a satisfactory Capital Strategy may lead to a capital programme which does not fully support the Council's Key Priorities and Improvement Actions.
- 1.16.7 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.

## **1.17 Equality Impact Assessment**

- 1.17.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## **1.18 Summary of Recommendations**

- 1.18.1 Cabinet is **RECOMMENDED** to:

- 1) Endorse the fees and charges set out in **[Annex 2]** as recommended by the appropriate Advisory Boards (excluding West Malling short stay car park which is the subject of a petition).
- 2) Update the Capital Plan as set out in paragraph 1.5.15 and recommend that Council adopt the Capital Plan accordingly.
- 3) Endorse the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board on 13 January and the Overview and Scrutiny Committee on 26 January and recommend to Council it be adopted.
- 4) Endorse the prudential indicators listed in paragraphs 1.6.5 and 1.6.9 and recommend to Council that they be adopted.
- 5) Note that for the financial year 2016/17 the Council's Minimum Revenue Provision as set out at paragraph 1.6.12 is nil.

- 6) Reaffirm the high level objectives of the MTFS, taking on board the amendment set out in paragraph 1.8.5.
- 7) Note the updates to the MTFS as set out at **[Annex 11]** based on a council tax increase of £5 for 2016/17.
- 8) Give guidance to Full Council as to the best way forward in updating the MTFS for the next ten-year period, and setting the council tax for 2016/17.
- 9) Note and endorse the Statement provided by the Director of Finance and Transformation as to the Robustness of the Estimates and the Adequacy of the Reserves.

Background papers:

contact: Sharon Shelton  
Neil Lawley

Nil

Julie Beilby  
Chief Executive

Sharon Shelton  
Director of Finance and Transformation

Nicolas Heslop  
Leader of the Council

Martin Coffin  
Cabinet Member for Finance, Innovation and Property

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## Local Government Finance Settlement 2016 - 2020

2016/17						
	Revenue Support Grant £	Business Rates Baseline £	Transitional Grant £	Tariff Adjustment £	Settlement Funding Assessment £	Per Head £
Ashford	1,269,915	2,633,558	28,782	-	3,932,255	31.89
Canterbury	1,994,181	4,289,784	21,157	-	6,305,122	40.01
Dartford	1,283,209	2,485,553	19,747	-	3,788,509	37.07
Dover	1,757,946	3,390,769	0	-	5,148,715	45.52
Gravesham	1,225,771	2,713,347	11,250	-	3,950,368	37.52
Maidstone	870,179	2,983,341	221,641	-	4,075,161	25.19
Sevenoaks	632,791	2,108,807	151,892	-	2,893,490	24.56
Shepway	1,736,221	3,415,967	61,220	-	5,213,408	47.61
Swale	2,085,951	3,926,420	0	-	6,012,371	42.70
Thanet	2,464,892	4,625,204	0	-	7,090,096	51.23
<b>Tonbridge and Malling</b>	<b>655,042</b>	<b>2,106,525</b>	<b>134,829</b>	-	<b>2,896,396</b>	<b>23.28</b>
Tunbridge Wells	833,823	2,173,271	74,439	-	3,081,533	26.54

2017/18						
	Revenue Support Grant £	Business Rates Baseline £	Transitional Grant £	Tariff Adjustment £	Settlement Funding Assessment £	Per Head £
Ashford	615,357	2,685,355	28,682	-	3,329,394	27.00
Canterbury	998,152	4,374,157	21,067	-	5,393,376	34.22
Dartford	684,482	2,534,440	19,673	-	3,238,595	31.69
Dover	1,026,829	3,457,460	0	-	4,484,289	39.65
Gravesham	590,152	2,766,714	11,207	-	3,368,073	31.99
Maidstone	-	3,042,018	171,971	-	3,213,989	19.86
Sevenoaks	-	2,150,284	122,984	-	2,273,268	19.30
Shepway	848,143	3,483,153	61,004	-	4,392,300	40.11
Swale	1,238,108	4,003,646	0	-	5,241,754	37.23
Thanet	1,445,776	4,716,174	0	-	6,161,950	44.52
<b>Tonbridge and Malling</b>	-	<b>2,147,957</b>	<b>117,201</b>	-	<b>2,265,158</b>	<b>18.21</b>
Tunbridge Wells	201,609	2,216,016	74,173	-	2,491,798	21.46

2018/19						
	Revenue Support Grant £	Business Rates Baseline £	Transitional Grant £	Tariff Adjustment £	Settlement Funding Assessment £	Per Head £
Ashford	212,872	2,764,575	-	-	2,977,447	24.15
Canterbury	380,181	4,503,197	-	-	4,883,378	30.99
Dartford	314,829	2,609,208	-	-	2,924,037	28.61
Dover	568,493	3,559,457	-	-	4,127,950	36.50
Gravesham	196,265	2,848,334	-	-	3,044,599	28.91
Maidstone	-	3,131,760	-	-	3,131,760	19.36
Sevenoaks	-	2,213,719	-	-	2,213,719	18.79
Shepway	305,135	3,585,909	-	-	3,891,044	35.53
Swale	706,709	4,121,757	-	-	4,828,466	34.29
Thanet	808,872	4,855,305	-	-	5,664,177	40.93
<b>Tonbridge and Malling</b>	-	<b>2,211,323</b>	-	-	<b>2,211,323</b>	<b>17.78</b>
Tunbridge Wells	-	2,281,390	-	-	2,281,390	19.65

**Local Government Finance Settlement 2016 - 2020**

	2019/20					
	Revenue Support Grant £	Business Rates Baseline £	Transitional Grant £	Tariff Adjustment £	Settlement Funding Assessment £	Per Head £
Ashford	-	2,852,936	-	(236,720)	2,616,216	21.22
Canterbury	-	4,647,128	-	(310,101)	4,337,027	27.52
Dartford	-	2,692,603	-	(98,083)	2,594,520	25.39
Dover	56,538	3,673,224	-	-	3,729,762	32.98
Gravesham	-	2,939,372	-	(243,714)	2,695,658	25.60
Maidstone	-	3,231,857	-	(1,588,624)	1,643,233	10.16
Sevenoaks	-	2,284,473	-	(1,082,611)	1,201,862	10.20
Shepway	-	3,700,521	-	(301,434)	3,399,087	31.04
Swale	113,144	4,253,496	-	-	4,366,640	31.01
Thanet	97,453	5,010,489	-	-	5,107,942	36.91
<b>Tonbridge and Malling</b>	-	<b>2,282,001</b>	-	<b>(998,296)</b>	<b>1,283,705</b>	<b>10.32</b>
Tunbridge Wells	-	2,354,307	-	(606,086)	1,748,221	15.06

Department for Communities and Local Government

Local Government  
Finance (England)

# The Referendums Relating to Council Tax Increases (Principles) (England) Report 2016/2017



Department for Communities and Local Government

Local Government  
Finance (England)

# The Referendums Relating to Council Tax Increases (Principles) (England) Report 2016/2017

Presented to the House of Commons pursuant to section 52ZD(1) of the  
Local Government Finance Act 1992 as inserted by Schedule 5 to the  
Localism Act 2011

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# The Referendums Relating to Council Tax Increases (Principles) (England) Report 2016/17

## Legislative background

### General

1. Under section 52ZBa of the Local Government Finance Act 1992 (“the 1992 Act”) each billing authority and precepting authority must determine whether its relevant basic amount of council tax<sup>b</sup> for a financial year (“the year under consideration”) is excessive. If an authority’s relevant basic amount of council tax is excessive a referendum must be held in relation to that amount.
2. Under section 52ZCc of the 1992 Act the question of whether an authority’s relevant basic amount of council tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State. A set of principles —
  - may contain one principle or two or more principles, and
  - must constitute or include a comparison between the authority’s relevant basic amount of council tax for the year under consideration and its relevant basic amount of council tax for the financial year immediately preceding the year under consideration<sup>d</sup>.
3. In setting principles for the year under consideration the Secretary of State may determine categories of authority. If the Secretary of State does so the same principles must be determined for all authorities falling within the same category and if an authority does not fall within any of the categories its relevant basic amount of council tax is not capable of being excessive for the year under consideration.
4. If the Secretary of State does not determine categories of authority for the year under consideration, any principles determined for the year must be such that the same set is determined for all authorities<sup>f</sup>.
5. The principles for a financial year must be set out in a report which must be laid before and approved by the House of Commons. If the report for a financial year is not approved on or before the date on which the local government finance report for the same year is approved by the House of Commons, no principles have effect for that

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<sup>a</sup> Section 52ZB was inserted into the 1992 Act by Schedule 5 to the Localism Act 2011.

<sup>b</sup> The term “relevant basic amount of council tax” is defined in section 52ZX of the 1992 Act (inserted as above and amended by section 41(1) and (9) to (13) of the Local Audit and Accountability Act 2014).

<sup>c</sup> Section 52ZC was inserted into the 1992 Act by Schedule 5 to the Localism Act 2011.

<sup>d</sup> Section 52ZC(2) and (3) of the 1992 Act.

<sup>e</sup> Section 52ZC(4) of the 1992 Act.

<sup>f</sup> Section 52ZC(5) of the 1992 Act.

year and accordingly no authority's relevant basic amount of council tax is capable of being excessive for that year<sup>a</sup>.

#### The Greater London Authority

6. The Greater London Authority ("the GLA") calculates two different basic amounts of council tax for a financial year —
  - an amount which applies to the City of London and which does not include any amount in respect of the Mayor's Office for Policing and Crime, and
  - an amount which applies to all parts of Greater London other than the City of London and which includes an amount in respect of the Mayor's Office for Policing and Crime<sup>b</sup>.
7. The GLA's relevant basic amount of council tax is defined by reference to these two amounts. In particular —
  - the relevant basic amount derived from the first of the amounts mentioned in paragraph 6 above is referred to in the 1992 Act as the GLA's unadjusted relevant basic amount of council tax, and
  - the relevant basic amount derived from the second of the amounts mentioned in paragraph 6 above is referred to in the 1992 Act as the GLA's adjusted relevant basic amount of council tax<sup>c</sup>.
8. A principle that applies to the GLA, and that constitutes or includes a comparison between the GLA's relevant basic amount of council tax for the year under consideration and the financial year immediately preceding that year, may only provide for —
  - a comparison between unadjusted relevant basic amounts of council tax,
  - a comparison between adjusted relevant basic amounts of council tax, or
  - both<sup>d</sup>.

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<sup>a</sup> See generally section 52ZD of the 1992 Act, inserted as above.

<sup>b</sup> Sections 88(2) and 89(3) of the Greater London Authority Act 1999. Section 88(2) was substituted by section 77(1) and (3) of the Localism Act 2011 and section 89(4) (which is mentioned in section 89(3)) was substituted by section 77(1) and (7) of that Act. The Mayor's Office for Policing and Crime was established by section 3 of the Police Reform and Social Responsibility Act 2011.

<sup>c</sup> Section 52ZX(4) of the 1992 Act.

<sup>d</sup> Section 52ZC(6) of the 1992 Act.

## **The Report**

9. This Report is made by the Secretary of State for Communities and Local Government and laid before the House of Commons under section 52ZD(1) of the 1992 Act.
10. The Report applies to all billing authorities and all major precepting authorities(**a**) (other than a mayoral combined authority(**b**)). In relation to 2016-17 the Report specifies principles for those authorities for the purposes of section 52ZC(1) of the 1992 Act. Accordingly no principles are specified for local precepting authorities for that year.

## **Principles for the financial year beginning on 1st April 2016**

11. The principles which apply for 2016-17 are set out in Annex A to this Report. If this Report is approved by resolution of the House of Commons the principles will have effect for that financial year.

*Rt Hon Greg Clark MP*  
Secretary of State  
for Communities and Local Government

5 February 2016

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**a** Billing authorities and major precepting authorities are defined in sections 1(2) and 39(1) of the 1992 Act respectively.

**b** A mayoral combined authority is a major precepting authority by virtue of section 39(1)(ab) of the 1992 Act as amended by section 5 of the Cities and Local Government Devolution Act 2016 (c.1). The election for the mayor of the first mayoral combined authority, Greater Manchester, will (subject to Parliamentary approval) take place in May 2017.

## Principles for the financial year beginning on 1st April 2016

The set of principles determined by the Secretary of State under section 52ZC(1) of the Local Government Finance Act 1992 for the financial year beginning on 1st April 2016 is as follows:

### Interpretation

1.—(1) In this set of principles—

“2015-16” means the financial year beginning on 1st April 2015;

“2016-17” means the financial year beginning on 1st April 2016;

“the 1992 Act” means the Local Government Finance Act 1992(a);

“the GLA” means the Greater London Authority;

“a relevant local authority” means-

(a) an authority falling within section 1(4) of the Care Act 2014(b); and

(b) the Council of the Isles of Scilly;

“a relevant police and crime commissioner” means a police and crime commissioner(c) whose basic amount of council tax for 2015-16 is within the lower quartile of basic amounts of council tax for 2015-16 for all police and crime commissioners;

“a shire district council” means a district council for an area for which there is a county council.

(2) In this set of principles any reference to an authority is a reference to a billing authority or a major precepting authority (other than a mayoral combined authority).

(3) Terms used in this set of principles which are also used in the 1992 Act have the same meanings as in that Act.

### Categories of authority for 2016-17

2. For 2016-17, the Secretary of State determines that the following are categories of authority for the purposes of section 52ZC of the 1992 Act—

(a) any relevant local authority(d);

(b) the GLA;

(c) any shire district council;

(d) any relevant police and crime commissioner(e); and

---

(a) 1992 c.14.

(b) 2014 c.23. The definition in section 1(4) of the Act covers (a) county councils in England; (b) district councils for an area in England for which there is no county council; (c) London borough councils, and (d) the Common Council of the City of London.

(c) Police and crime commissioners replaced police authorities for police areas outside London in November 2012 (see section 1 of the Police Reform and Social Responsibility Act 2011, and Part 4 of Schedule 15 to that Act for transitional provisions).

(d) The bodies that are within this category are set out, for information, in Annex B to this Report.

(e) The bodies that are within this category are set out, for information, in Annex C to this Report.

(e) any other authority.

**Principles for 2016-17 for authorities belonging to the category mentioned in paragraph 2(a)**

3. For 2016-17, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(a) is excessive if the authority's relevant basic amount of council tax for 2016-17 is 4% (comprising 2% for expenditure on adult social care and 2% for other expenditure), or more than 4%, greater than its relevant basic amount of council tax for 2015-16.

**Principles for 2016-17 for the Greater London Authority**

4. For 2016-17, the GLA's relevant basic amount of council tax is excessive if—

- (a) the GLA's unadjusted relevant basic amount of council tax for 2016-17 is 2%, or more than 2%, greater than its unadjusted relevant basic amount of council tax for 2015-16; or
- (b) the GLA's adjusted relevant basic amount of council tax for 2016-17 is 2%, or more than 2%, greater than its adjusted relevant basic amount of council tax for 2015-16.

**Principles for 2016-17 for authorities belonging to the category mentioned in paragraph 2(c)**

5. For 2016-17, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(c) is excessive if the authority's relevant basic amount of council tax for 2016-17 is—

- (a) 2%, or more than 2%, greater than its relevant basic amount of council tax for 2015-16; and
- (b) more than £5.00 greater than its relevant basic amount of council tax for 2015-16.

**Principles for 2016-17 for authorities belonging to the category mentioned in paragraph 2(d)**

6. For 2016-17, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(d) is excessive if the authority's relevant basic amount of council tax for 2016-17 is more than £5.00 greater than its relevant basic amount of council tax for 2015-16.

**Principles for 2016-17 for authorities belonging to the category mentioned in paragraph 2(e)**

7. For 2016-17, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(e) is excessive if the authority's relevant basic amount of council tax for 2016-17 is 2%, or

more than 2%, greater than its relevant basic amount of council tax for 2015-16.

**Local authorities for the following areas fall within the definition of “relevant local authority” in the *Principles for the financial year beginning on 1st April 2016***

(INNER LONDON)

City of London  
Camden  
Greenwich  
Hackney  
Hammersmith & Fulham

Islington  
Kensington & Chelsea  
Lambeth  
Lewisham  
Southwark

Tower Hamlets  
Wandsworth  
Westminster

(OUTER LONDON)

Barking & Dagenham  
Barnet  
Bexley  
Brent  
Bromley

Croydon  
Ealing  
Enfield  
Haringey  
Harrow

Havering  
Hillingdon  
Hounslow  
Kingston-upon-Thames  
Merton

Newham  
Redbridge  
Richmond-upon-Thames  
Sutton  
Waltham Forest

(GREATER MANCHESTER)

Bolton  
Bury  
Manchester  
Oldham  
Rochdale  
Salford  
Stockport  
Tameside

Trafford  
Wigan

(MERSEYSIDE)

Knowsley  
Liverpool  
St Helens  
Sefton  
Wirral

(SOUTH YORKSHIRE)

Barnsley  
Doncaster  
Rotherham  
Sheffield

(TYNE AND WEAR)

Gateshead  
Newcastle-upon-Tyne  
North Tyneside  
South Tyneside  
Sunderland

(WEST MIDLANDS)

Birmingham  
Coventry  
Dudley  
Sandwell  
Solihull  
Walsall  
Wolverhampton

(WEST YORKSHIRE)

Bradford  
Calderdale  
Kirklees  
Leeds  
Wakefield

(COUNTY COUNCILS)

Buckinghamshire  
Cambridgeshire  
Cumbria  
Derbyshire  
Devon

Dorset  
East Sussex  
Essex  
Gloucestershire  
Hampshire

Hertfordshire  
Kent  
Lancashire  
Leicestershire  
Lincolnshire

Norfolk  
North Yorkshire  
Northamptonshire  
Nottinghamshire  
Oxfordshire

Somerset  
Staffordshire  
Suffolk  
Surrey  
Warwickshire

West Sussex  
Worcestershire

(UNITARY AUTHORITIES)  
Bath & North East Somerset  
Bedford  
Blackburn with Darwen  
Blackpool  
Bournemouth

Bracknell Forest  
Brighton & Hove  
Bristol  
Central Bedfordshire  
Cheshire East

Cheshire West and Chester  
Cornwall  
Darlington  
Derby  
Durham

East Riding of Yorkshire  
Halton  
Hartlepool  
Herefordshire  
Isle of Wight Council

Isles of Scilly  
Kingston-upon-Hull  
Leicester  
Luton  
Medway

Middlesbrough  
Milton Keynes  
North East Lincolnshire  
North Lincolnshire  
North Somerset

Northumberland  
Nottingham  
Peterborough  
Plymouth  
Poole

Portsmouth  
Reading  
Redcar & Cleveland  
Rutland  
Shropshire

Slough  
South Gloucestershire  
Southampton  
Southend-on-Sea  
Stockton-on-Tees

Stoke-on-Trent  
Swindon  
Telford & Wrekin  
Thurrock  
Torbay

Warrington  
West Berkshire  
Wiltshire  
Windsor & Maidenhead  
Wokingham  
York

**Police and crime commissioners for the following police areas fall within the definition of “relevant police and crime commissioner” in the *Principles for the financial year beginning on 1st April 2016***

Cheshire  
Greater Manchester  
South Yorkshire  
Hertfordshire  
Essex  
Kent  
Sussex  
West Yorkshire  
West Midlands  
Northumbria

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**REVIEW OF FEES AND CHARGES – SUMMARY OF  
RECOMMENDATIONS FROM ADVISORY BOARDS AND  
RESOLUTION OF LICENSING AND APPEALS COMMITTEE**

**Item HE 15/20 referred from Housing and Environmental  
Services Advisory Board minutes of 9 November 2015**

**HE 15/20      REVIEW OF HOUSING, ENVIRONMENTAL HEALTH AND  
WASTE AND STREET SCENE SERVICES FEES AND  
CHARGES**

The joint report of the Director of Street Scene, Leisure and Technical Services, the Director of Planning, Housing and Environmental Health and the Director of Finance and Transformation set out details of the proposed fees and charges for the provision of services in respect of condemned food certificates, exported food certificates, contaminated land, private water supplies, houses in multiple occupation, caravan site licensing, pest control, stray dog redemption fees, household bulky refuse collection and “missed” refuse collection. The Advisory Board was advised that the proposed charge for an Exported Food Certificate was based on ‘cost recovery’ and noted that this reflected the Council’s priority for supporting local business development. Members supported the proposal of introducing a new charge for fridge and freezer collection and noted that a further, detailed, report would be submitted to the next meeting of the Advisory Board.

**RECOMMENDED:** That Cabinet

- (1) approve the scale of charges for mandatory HMO licensing, caravan site licensing, condemned food certificates, exported food certificates, contaminated land monitoring, sampling private water supplies, stray dog redemption fees, household bulky refuse collection and “Missed” refuse collection charges with effect from 1 April 2016, as detailed in the report to the Advisory Board; and
- (2) approve the introduction of a new charge for fridge and freezer collections and a report on the proposed charges be submitted to the next meeting of the Housing and Environment Services Advisory Board.

\* **Referred to Cabinet**

**Item COM 16/5 referred from Communities Advisory Board minutes of 11 January 2016**

**COM 16/5 REVIEW OF CEMETERY CHARGES 2016/17**

The joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Finance and Transformation outlined the proposed fees and charges for 2016/17 in respect of Tonbridge Cemetery.

**RECOMMENDED:** That the proposed charges for Tonbridge Cemetery, as detailed at Annex 2 to the report, be implemented with effect from 1 April 2016.

\* **Referred to Cabinet**

**Item PE 16/3 referred from Planning and Transportation Advisory Board minutes of 12 January 2016**

**PE 16/3 REVIEW OF CAR PARKING FEES AND CHARGES**

The joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Finance and Transformation set out recommendations for car parking fees and charges for implementation from 1 April 2016. In addition, the report identified a number of fees and charges for review over the forthcoming year and outlined the Borough Council's ongoing investment in the parking service.

Careful consideration was given to the options set out and Members noted that, whilst the Council regularly reviewed its fees and charges for services provided for the local community, the last annual review of car parking charges in 2015 did not recommend any increases or other changes. Consequently, there had been no increase in any parking charges in the Borough for the last two years.

Members were advised of a petition from West Malling Parish Council asking that short term parking remain free in the town. The petition comprising over 2,500 signatures had been received immediately prior to the meeting and would be dealt with in accordance with the Council's Petition Scheme.

The views of the Tonbridge Sports Association regarding Lower Castle Fields car park, Tonbridge were referenced and the Cabinet Member for Planning and Transportation offered to discuss how to minimise the effect on sports users with the organisation.

**RECOMMENDED:** That the following proposals be approved by Cabinet with effect from 1 April 2016:

- (1) the schedule of charges for short and long stay parking in Tonbridge shown in Table 1 to the report be introduced;
- (2) the schedule of charges for parking in Lower Castle Fields car park shown in Table 2 be introduced;
- (3) the schedules of Peak and Off-Peak Season ticket charges in Tonbridge shown in Tables 3 and 4 be adopted;
- (4) the schedules of charges for short and long stay parking in West Malling shown in Table 6 be introduced, with the exception of the 'over 3 hour' option which would be deleted and having noted the receipt of a petition;
- (5) the schedule of charges for Blue Bell Hill car park shown in Table 7 be introduced, subject to reviewing levels of charging increase within the context of extending the charging period to include a charge for Saturday;
- (6) the schedule of charges for parking in Borough Green Western Road car park shown in Table 8 be introduced, subject to the introduction of a 30 minute tariff at 10p, 20p for 1 hour and 40p for 2 hours;
- (7) Residents permits be increased to £40 applied across the whole Borough and Officers investigate further options for the introduction of tiered pricing structure for parking permits for more than one vehicle per residential household;
- (8) the schedule of charges for business permits and dispensation shown in Table 9 be introduced, subject to clarification over the dispensation period and definition of the dispensations;
- (9) visitor permits be increased to £12 for a book of 10 permits;
- (10) the schedule of charges for Haysden and Leybourne Lakes country parks shown in Table 10 be introduced;
- (11) the schedule of charges for on-street pay & display parking in Tonbridge be introduced but amended to be consistent with the proposed short stay charges in Table 1 for periods of up to 3 hours; and

- (12) separate reviews be brought forward on Evening and Sunday charging, on existing car parking concessions and those car parks not addressed within the report.

**\*Referred to Cabinet**

**PE 16/4**

**REVIEW OF PRE-APPLICATION PLANNING PROCEDURES AND CHARGING REGIME**

The report of the Director of Planning, Housing and Environmental Health presented a review of the procedures and practice adopted in providing advice and guidance in respect of planning matters, in particular assistance provided to those intending to submit planning applications. Importantly, the report also reviewed the charges made for the service and recommended a new regime to reflect the costs and value of the advice provided.

Members recognised that there were significant costs involved in providing good quality pre-application advice and although this was highly beneficial to the planning application process and local communities it was now appropriate to critically review charges in the context of increasing focus on service efficiency.

A summary of the different charging regimens for all the local planning authorities in Kent was provided in Annex 1 to the report. Details of the proposed new pre-application protocol, together with the fee structure and pre-application form were set out in Annexes 2 and 3 respectively.

The financial and value for money considerations set out in the report were noted by Members.

**RECOMMENDED:** That the following proposals be approved by Cabinet with effect from 1 April 2016:

- (1) the Protocol for providing Pre-application advice be adopted, as attached at Annex 2 to the report; and
- (2) the Pre-application Charging Schedule 2016/17 be introduced as attached at Annex 3 to the report

**\*Referred to Cabinet**

**Item FIP 16/5 referred from Finance, Innovation and Property Advisory Board minutes of 13 January 2016**

**FIP 16/5 REVIEW OF FEES AND CHARGES 2016/17**

The report of the Management Team brought forward for consideration as part of the Budget setting process for 2016/17 proposals in respect of those fees and charges that were the responsibility of the Cabinet Member for Finance, Innovation and Property or not reported elsewhere.

**RECOMMENDED:** That

- (1) in respect of the recovery of legal fees payable by third parties, the Council's fees continue to follow the Supreme Court guideline hourly rates as set out at paragraph 1.2.1 of the report;
- (2) the proposed scale of fees for local land charges searches and enquiries set out in the report be adopted with effect from 1 April 2016 noting that with effect from 1 February 2016 property search fees, in the main, are to be subject to VAT on the basis set out in paragraphs 1.3.4 and 1.3.5 of the report;
- (3) the current photocopying charges of 10p (inclusive of VAT) for each page of the same document or additional copies of the same page plus postage as appropriate be retained;
- (4) the proposed charges for Tonbridge Castle Chamber as set out in Annex 3 to the report be approved for implementation from 1 April 2016 and the list of concessionary users at Annex 1 to the report be endorsed;
- (5) the proposed charges for weddings at Tonbridge Castle as outlined in paragraph 1.6.3 of the report be approved for implementation from 1 April 2017;
- (6) the fees schedule for street naming and numbering set out at paragraphs 1.8.2 and 1.8.3 of the report be adopted with effect from 1 April 2016, subject to the fee for addressing one new in-fill property remaining at £169; and
- (7) the amount of council tax and business rate Court costs recharged to the taxpayer remain as set out at paragraph 1.9.2 of the report for the 2016/17 financial year.

**\*Referred to Cabinet**

**Minute LA 15/111 of Licensing and Appeals Committee of  
2 December 2015**

**LA 15/111      REVIEW OF FEES AND CHARGES 2016/17 - LICENSING  
FEES**

The report of the Director of Central Services and Monitoring Officer gave details of proposed licensing fees and charges for 2016/17. The report focused on the fees to be charged for hackney carriage and private hire licensing, together with other miscellaneous licences/registrations dealt with by Licensing Services. The fee model sheets for the main taxi fee increases were set out at Annex 2 to the report and showed the officer cost and time in validating, processing and issuing licences and enforcement costs where applicable.

In considering the proposed fees at Annex 1 to the report, Members suggested in respect of the miscellaneous licences that those above £50 should be rounded up to the nearest £5.

**RESOLVED:** That the proposed scale of fees for licences, consents and registrations contained in Annex 1 to the report be adopted with effect from 1 April 2016 subject to the Hackney Carriage new vehicle licence being amended to £225 and the miscellaneous licences above £50 being rounded up to the nearest £5, as set out in the revised table annexed to these Minutes.

[In accordance with Council and Committee Procedure Rule 8.6 Councillor B Elks requested that his vote against the motion to amend the proposals contained in the report be recorded.]

**CAPITAL PLAN: LIST A  
ALL SERVICES**

	Expenditure To 31/03/15	2015/16 Estimate inc Prior Year Slippage	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	Total Scheme Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital Plan Schemes</b>									
<b>Service</b>									
Planning, Housing & Environmental Health	74	356	235	235	235	235	235	235	1,840
Street Scene, Leisure & Technical	846	943	1,173	140	145	130	130	130	3,637
Corporate	(4)	40	42	90	30	30	30	30	288
Sub-total	916	1,339	1,450	465	410	395	395	395	5,765
<b>Capital Renewals</b>									
<b>Service</b>									
Planning, Housing & Environmental Health	n/a	1	0	0	0	15	0	0	16
Street Scene, Leisure & Technical	n/a	317	834	495	263	484	424	372	3,189
Corporate	n/a	368	299	392	336	270	269	198	2,132
Sub-total	n/a	686	1,133	887	599	769	693	570	5,337
<b>Grand Total</b>	916	2,025	2,583	1,352	1,009	1,164	1,088	965	11,102

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## Capital Plan Review 2015/16

### Recommendations in respect of List C

**Booklet  
Annex 3  
Page No**

#### Schemes to be added to List C

##### **Street Scene, Leisure and Technical**

Larkfield Leisure Centre: Pool Hall Roof	CP 39
Tonbridge Racecourse: Rugby Pitch Drainage Improvements	CP 41
Haysden Country Park: Site Improvements	CP 41
Tonbridge Castle: Site Improvements	CP 43
Environmental Improvements:	
Blossom Bank Development, Tonbridge, New Pedestrian Bridge	CP 46
River Medway, Riverside Lighting, Tonbridge	CP 47

##### **Corporate**

IT Initiatives: Council Chamber Conference System	CP 52
IT Initiatives: Virtual Desktop Infrastructure	CP 53

#### Schemes to be deleted from List C

##### **Street Scene, Leisure and Technical**

Poult Wood Golf Centre: Drainage	CP 39
Country Parks: Installation of Automatic Bollards	CP 43
Car Parking: East Malling Car Park Access & Security Improvements	CP 45
Car Parking: Resident's Car Parking, Eccles	CP 45
Environmental Improvements:	
Conservation Area Enhancements	CP 46
Larkfield (A20) Local Shopping Area	CP 47
Shopping Parade Enhancement, Woodlands Road, Ditton	CP 48
The Fosse/Landsdowne neighbourhood	CP 48
Tonbridge Town Centre Enhancements Phase 2	CP 49
Twisden Road Shopping Parade	CP 50
Drainage & Flood Defence: Drainage Improvement Programme	CP 50
Local Transport Plan Partnership Programme	CP 51
Community Partnership Initiatives	CP 51

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**Capital Plan Review 2015/16**

**Schemes selected for evaluation from List C**

	<b>Booklet Annex 3 Page No</b>
<b>Street Scene, Leisure and Technical</b>	
Haysden Country Park: Extension of Play Area (Fast-Track)	CP 41
Haysden Country Park: Site Improvements	CP 41
River Medway, Riverside Lighting, Tonbridge	CP 47
<b>Corporate</b>	
IT Initiatives: Council Chamber Conference System	CP 52
IT Initiatives: Virtual Desktop Infrastructure	CP 53

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Capital Plan Review 2015/16

Recommendations in respect of evaluated schemes

	Capital Cost £'000	Estimated Annual Revenue/ Renewals Cost £'000		Booklet Annex 4 Page No
<b>Street Scene, Leisure and Technical</b>				
Haysden Country Park: Extension of Play Area	55	5	Transfer from List C to List B	CP 55
<b>Total</b>	<b>55</b>	<b>5</b>		

The above scheme is to be funded primarily by a grant of £50,000. Release of the grant is subject to a payment of £6,000 to a third party. As a result the balance of £11,000 is to be funded by way of a virement from the Tonbridge Racecourse Sportsground Flood Lighting scheme.

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**CAPITAL PLAN: LIST A  
ALL SERVICES**

	Expenditure To 31/03/15	2015/16 Estimate inc Prior Year Slippage	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	Total Scheme Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital Plan Schemes</b>									
<b>Service</b>									
Planning, Housing & Environmental Health	74	356	235	235	235	235	235	235	1,840
Street Scene, Leisure & Technical	846	943	1,173	140	145	130	130	130	3,637
Corporate	(4)	40	42	90	30	30	30	30	288
Sub-total	916	1,339	1,450	465	410	395	395	395	5,765
<b>Capital Renewals</b>									
<b>Service</b>									
Planning, Housing & Environmental Health	n/a	1	0	0	0	15	0	0	16
Street Scene, Leisure & Technical	n/a	317	834	495	263	484	424	372	3,189
Corporate	n/a	368	299	392	336	270	269	198	2,132
Sub-total	n/a	686	1,133	887	599	769	693	570	5,337
<b>Grand Total</b>	916	2,025	2,583	1,352	1,009	1,164	1,088	965	11,102

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<b>Capital Plan Review 2015/16 : Funding of the Draft Capital Plan</b>							
	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
<b>Capital Plan Schemes</b>							
Capital Renewals	686	1,133	887	599	769	693	570
Other Recurring Expenditure (net of grants)	525	397	395	395	395	395	395
One-Off Schemes (net of grants & contributions)	814	1,053	70	15			
<b>Capital Plan Totals</b>	<b>2,025</b>	<b>2,583</b>	<b>1,352</b>	<b>1,009</b>	<b>1,164</b>	<b>1,088</b>	<b>965</b>
Add back grants / contributions	2,671	731	520	670	520	520	520
<b>Total to be funded</b>	<b>4,696</b>	<b>3,314</b>	<b>1,872</b>	<b>1,679</b>	<b>1,684</b>	<b>1,608</b>	<b>1,485</b>
<b>Funded from:</b>							
Grants							
BCF (Disabled Facilities Grant)	490	490	490	490	490	490	490
Environment Agency (Town Lock)	730						
Town Wardens (Town Lock)	2						
Leisure Trust (LLC Health Suite)	70						
LSP (Haysden CP Play Area was TRSG Flood Lighting)		11					
Sita Trust (Haysden CP Extension of Play Area)		50					
EA (Castle River Bank)	147						
KCC (Winter Warmth)	9						
DEFRA Air Quality		150					
DCLG (Revenues & Benefits Grant)	60						
DCLG (Flood Repair Grant)	257						
Developer Contributions							
Town Lock	822						
Tonbridge School Athletics Track				150			
Open Spaces Site Improvements Phase 1	26						
Open spaces Site Improvements Phase 2	13						
Memorial Garden Improvement including Trust contrib'n	15						
Capital and Other Receipts							
Housing Assistance Grant Repayments	30	30	30	30	30	30	30
Repayment of Mortgages	1	1	1	1	1	1	
Sale of St Johns Ambulance Site (Net)	220						
Sale of 20 Twisden Road	129						
<b>Balance met from Revenue Reserve for Capital Schemes</b>	<b>1,675</b>	<b>2,582</b>	<b>1,351</b>	<b>1,008</b>	<b>1,163</b>	<b>1,087</b>	<b>965</b>
<b>Total funding</b>	<b>4,696</b>	<b>3,314</b>	<b>1,872</b>	<b>1,679</b>	<b>1,684</b>	<b>1,608</b>	<b>1,485</b>

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<b>Capital Plan Review 2015/16 : Revenue Reserve for Capital Schemes</b>							
	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
<b>Balance at 1st April</b>	6,831	5,922	4,415	3,139	2,206	1,628	1,742
<b>Contribution from Revenue to meet Capital Renewals and other Annually Recurring Expenditure</b>	500	100	0	0	585	1,201	1,217
<b>Revenue contribution for new Capital Plan Schemes</b>	350	350	350	350			
Less assumed spend			(200)	(200)			
Recycling Bank Revenue Adjustment	(21)	(23)	(23)	(23)			
MS Office Licences to Revenue	(36)	(36)	(36)	(36)			
Revenue element of new IT Storage	(4)	(4)	(4)	(4)			
Green /recycling bin replacement	(12)	(12)	(12)	(12)			
LTPP to Transport Planning Policy	(11)						
<b>Wouldham River Wall Earmarked Reserve</b>		700					
<b>Available for application</b>	7,597	6,997	4,490	3,214	2,791	2,829	2,959
<b>Amount applied to fund capital</b>	1,675	2,582	1,351	1,008	1,163	1,087	965
<b>Balance at 31st March</b>	5,922	4,415	3,139	2,206	1,628	1,742	1,994

Borrowing for new Capital Plan schemes is not anticipated before 2019/20.

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<b><u>Estimates of the incremental impact of capital investment on Band D equivalent Council Tax</u></b>	2016/17 est. £	2017/18 est. £	2018/19 est. £	2019/20 est. £	2020/21 est. £	2021/22 est. £
Haysden Country Park: Extension of Play Area	0.10					
<b>Total:</b> (Increase in Band D equivalent Council Tax attributable to new capital schemes)	<b>0.10</b>					

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## Medium Term Financial Strategy

	Estimate	Projection								
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>EXPENDITURE</b>										
Employees	11,118	11,287	11,461	11,640	11,863	12,144	12,428	12,722	13,020	13,327
Transfer Payments	35,065	35,806	36,522	37,253	19,491	19,881	20,278	20,684	21,098	21,520
Other Expenditure	11,365	11,332	11,577	11,829	12,086	12,351	12,622	12,899	13,182	13,471
Capital Charges	2,933	2,992	3,052	3,113	3,175	3,239	3,304	3,370	3,437	3,506
<b>Total Expenditure</b>	<b>60,481</b>	<b>61,417</b>	<b>62,612</b>	<b>63,835</b>	<b>46,615</b>	<b>47,615</b>	<b>48,632</b>	<b>49,675</b>	<b>50,737</b>	<b>51,824</b>
<b>INCOME</b>										
Fees & Charges	(6,825)	(6,910)	(7,142)	(7,236)	(7,472)	(7,570)	(7,810)	(7,912)	(8,156)	(8,261)
Other Specific Grants & Misc	(35,544)	(36,224)	(36,920)	(37,632)	(20,064)	(20,464)	(20,871)	(21,287)	(21,710)	(22,142)
Investment Income	(210)	(299)	(451)	(617)	(625)	(586)	(579)	(558)	(553)	(564)
<b>Total Income</b>	<b>(42,579)</b>	<b>(43,433)</b>	<b>(44,513)</b>	<b>(45,485)</b>	<b>(28,161)</b>	<b>(28,620)</b>	<b>(29,260)</b>	<b>(29,757)</b>	<b>(30,419)</b>	<b>(30,967)</b>
<b>Appropriations</b>										
Capital Renewals	100	0	0	585	1,201	1,217	1,233	1,250	1,267	1,285
Provision for new Capital Schemes	275	275	275	0	0	0	0	0	0	0
Other Appropriations	(4,842)	(2,927)	(2,987)	(3,048)	(3,110)	(3,174)	(3,239)	(3,305)	(3,372)	(3,441)
<b>SAVINGS TARGET</b>	<b>0</b>	<b>(625)</b>	<b>(638)</b>	<b>(651)</b>	<b>(664)</b>	<b>(677)</b>	<b>(691)</b>	<b>(705)</b>	<b>(719)</b>	<b>(733)</b>
<b>SAVINGS TARGET</b>	<b>0</b>	<b>0</b>	<b>(500)</b>	<b>(510)</b>	<b>(520)</b>	<b>(530)</b>	<b>(541)</b>	<b>(552)</b>	<b>(563)</b>	<b>(574)</b>
<b>SAVINGS TARGET</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(700)</b>	<b>(714)</b>	<b>(728)</b>	<b>(743)</b>	<b>(758)</b>
<b>NET BUDGETED SPEND</b>	<b>13,435</b>	<b>14,707</b>	<b>14,249</b>	<b>14,726</b>	<b>15,361</b>	<b>15,131</b>	<b>15,420</b>	<b>15,878</b>	<b>16,188</b>	<b>16,636</b>
<b>FUNDING</b>										
Revenue Reserves	(474)	(309)	(231)	931	1,133	454	278	255	66	(3)
Government Grant	6,581	5,515	4,642	3,616	3,642	3,669	3,696	3,723	3,750	3,778
Council Tax	9,169	9,501	9,838	10,179	10,586	11,008	11,446	11,900	12,372	12,861
Collection Fund Adjustment	(1,841)	0	0	0	0	0	0	0	0	0
<b>Total Funding</b>	<b>13,435</b>	<b>14,707</b>	<b>14,249</b>	<b>14,726</b>	<b>15,361</b>	<b>15,131</b>	<b>15,420</b>	<b>15,878</b>	<b>16,188</b>	<b>16,636</b>
<b>Council Tax Level at Band D</b>	<b>£192.51</b>	<b>£197.51</b>	<b>£202.51</b>	<b>£207.51</b>	<b>£213.74</b>	<b>£220.15</b>	<b>£226.75</b>	<b>£233.55</b>	<b>£240.56</b>	<b>£247.78</b>
<b>Increase on Previous Year</b>	<b>£5.00</b>	<b>£5.00</b>	<b>£5.00</b>	<b>£5.00</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>RESERVES BALANCE CARRIED FORWARD</b>	<b>5,219</b>	<b>5,528</b>	<b>5,759</b>	<b>4,828</b>	<b>3,695</b>	<b>3,241</b>	<b>2,963</b>	<b>2,708</b>	<b>2,642</b>	<b>2,645</b>

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## General Fund Revenue Estimates 2016/17

## SUMMARY

	2015/16 ESTIMATE		2016/17
	ORIGINAL £	REVISED £	ESTIMATE £
<b>Corporate Services</b>	3,072,200	2,585,800	2,563,000
<b>Chief Executive</b>	825,700	931,000	756,000
<b>Director of Central Services</b>	24,650	(46,550)	68,100
<b>Director of Finance &amp; Transformation</b>	2,052,300	2,092,050	2,280,400
<b>Director of Planning, Housing &amp; Environmental Health</b>	3,899,450	4,180,100	4,135,750
<b>Director of Street Scene &amp; Leisure</b>	8,019,400	8,116,300	8,183,600
Sub Total	17,893,700	17,858,700	17,986,850
<b>Capital Accounting Reversals</b>			
Non-Current Asset Depreciation	(2,508,750)	(2,581,650)	(2,641,200)
Non-Current Asset Impairment	-	(5,300)	-
<b>Contributions to / (from) Reserves</b>			
Building Repairs Reserve			
Withdrawals to fund expenditure	(459,700)	(575,250)	(715,650)
Contribution to Reserve	500,000	850,000	525,000
Earmarked Reserves (see next page)			
Contributions from Reserves	(1,287,500)	(957,850)	(2,783,400)
Contributions to Reserves	65,000	151,000	365,000
Revenue Reserve for Capital Schemes			
Withdrawals to fund expenditure			
Non-Current Assets	(1,391,000)	(1,247,000)	(2,290,000)
Revenue Expenditure Funded from Capital	(478,000)	(428,000) #	(292,000)
Other contributions to / (from) Reserve (net)	789,000	766,000	1,075,000
<b>Capital Expenditure Charged to General Fund</b>	1,391,000	1,247,000	2,290,000
<b>International Accounting Standard 19</b>			
Retirement Benefit Costs	4,148,000	4,203,000	4,276,000
Employers Pension Contributions	(2,507,000)	(2,448,000)	(2,528,000)
Contribution to / (from) Pensions Reserve	(1,641,000)	(1,755,000)	(1,748,000)
<b>Government Grants</b>			
New Homes Bonus	(3,101,150)	(3,101,150)	(3,843,100)
New Homes Bonus Returned In-Year	-	(6,700)	-
Right to Move New Burden Grant	-	(3,050)	-
Transition Grant	-	-	(134,850)
<b>Contributions from KCC</b>	(116,250)	(166,350)	(85,000)
Sub Total	11,296,350	11,800,400	9,456,650
<b>National Non-Domestic Rates</b>			
Share of National Non-Domestic Rates	(21,454,885)	(21,583,285)	(21,521,670)
Tariff / (Top Up)	20,150,220	20,150,220	20,318,139
Levy / (Safety Net)	-	(490,100)	(290,800)
Flood Relief Grant	-	150	-
Small Business Rate Relief Grant	(371,000)	(353,550)	(366,450)
Retail Relief Grant	(270,100)	(230,550)	-
Empty Property Re-occupation Relief Grant	(143,350)	(8,200)	(8,250)
New Build Empty Property Relief Grant	-	(78,700)	(79,350)
<b>Revenue Support Grant</b>	(1,589,484)	(1,589,484)	(655,042)
<b>Collection Fund Adjustments</b>			
Council Tax (Surplus) / Deficit	(92,290)	(92,290)	(147,917)
National Non-Domestic Rates (Surplus) / Deficit	1,195,290	1,195,290	1,989,247
Sub Total	8,720,751	8,719,901	8,694,557
<b>Contribution to / (from) General Revenue Reserve</b>	73,550	74,400	474,500
<b>Balance to be met from Council Tax Payers</b>	<b>8,794,301</b>	<b>8,794,301</b>	<b>9,169,057</b>



**General Fund Revenue Estimates 2016/17**  
**EARMARKED RESERVES**

	2015/16 ESTIMATE		2016/17
	ORIGINAL £	REVISED £	ESTIMATE £
<b>Contributions from Earmarked Reserves</b>			
Business Rates Retention Scheme Reserve	(1,100,000)	(575,900)	(2,000,000)
Community Development Reserve	-	(60,250)	-
Economic Development Reserve	-	(58,000)	-
Election Expenses Reserve	(133,000)	(125,100)	-
Flood Recovery & Defence Reserve	-	(75,000)	(25,000)
Local Development Framework Reserve	(30,000)	(30,000)	(30,000)
Planning Inquiries Reserve	(18,600)	(22,500)	(22,500)
Repossessions Prevention Fund Reserve	(4,000)	(4,000)	(4,000)
River Wall at Wouldham Reserve	-	-	(700,000)
Social Housing Fraud Initiative Reserve	(1,900)	(1,900)	(1,900)
Tonbridge Town Centre Reserve	-	(5,200)	-
	<b>(1,287,500)</b>	<b>(957,850)</b>	<b>(2,783,400)</b>
<b>Contributions to Earmarked Reserves</b>			
Election Expenses Reserve	25,000	25,000	25,000
Invest to Save Reserve	-	50,000	300,000
Local Development Framework Reserve	40,000	40,000	40,000
Transformation Reserve	-	36,000	-
	<b>65,000</b>	<b>151,000</b>	<b>365,000</b>

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**Tonbridge and Malling Borough Council**  
**Estimate Of Collection Fund Surplus/(Deficit) 2015/16 - Council Tax**

	Estimate	
	£	£
<b>Income</b>		
Surplus / (Deficit) Brought Forward		912,602
Council Tax		
Income from Council Tax (Net of Discounts, CTR and Exemptions)		73,211,038
<b>Total Income for the Year</b>		74,123,640
<b>Expenditure</b>		
Precepts and Demands 2015/16		
Kent County Council	51,121,098	
Police & Crime Commissioner for Kent	6,901,412	
Kent & Medway Fire & Rescue Authority	3,313,522	
Parishes	2,043,129	
Tonbridge and Malling Borough Council	8,794,301	72,173,462
Provision for Council Tax Non-Collection		351,000
Payments / (receipts) in respect of estimated surplus / (deficit) for 2014/15		
Kent County Council	435,124	
Police & Crime Commissioner for Kent	58,746	
Kent & Medway Fire & Rescue Authority	28,217	
Tonbridge and Malling Borough Council	92,290	614,377
<b>Total Expenditure for the Year</b>		73,138,839
<b>Estimated Surplus/(Deficit) for 2015/16</b>		984,801

**Allocation Of Estimated Surplus / (Deficit) 2015/16**

	Precepts 2015/16		Surplus / (Deficit)
	£	%	£
Kent County Council	51,121,098	70.83	697,535
Police & Crime Commissioner for Kent	6,901,412	9.56	94,147
Kent & Medway Fire & Rescue Authority	3,313,522	4.59	45,202
Tonbridge and Malling Borough Council	10,837,430	15.02	147,917
<b>Total</b>	72,173,462	100.00	984,801

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<b>Tonbridge and Malling Borough Council</b>		
<b><u>Estimate Of Collection Fund Surplus/(Deficit) 2015/16 - Business Rates</u></b>		
	Estimate	
	£	£
<b><u>Income</u></b>		
Surplus / (Deficit) Brought Forward		(6,934,345)
Income from Business Rate Payers		54,149,486
Recovery of Prior Years Estimated Deficit		2,988,226
<b>Total Income for the Year</b>		50,203,367
<b><u>Expenditure</u></b>		
Demands for 2015/16 based upon NNDR 1 2015/16		
Kent County Council	4,856,244	
Kent & Medway Fire & Rescue Authority	539,583	
Tonbridge and Malling Borough Council	21,583,306	
Central Government	26,979,132	53,958,265
Allowance for Losses - Bad Debts		350,000
Allowance for Losses - Appeals		632,000
Cost of Collection Allowance		165,385
Transitional Protection Payments		70,834
<b>Total Expenditure for the Year</b>		55,176,484
<b>Estimated Surplus/(Deficit) for 2015/16</b>		(4,973,117)
<b><u>Allocation Of Estimated Surplus / (Deficit) 2015/16</u></b>		
	Allocation	Surplus / (Deficit)
	%	£
Kent County Council	9	(447,581)
Kent & Medway Fire & Rescue Authority	1	(49,731)
Tonbridge and Malling Borough Council	40	(1,989,247)
Central Government	50	(2,486,558)
<b>Total</b>	100	(4,973,117)

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## Financial arrangements with Parish councils 2016/17

Parish council	Basic allocation £	Cemeteries & churchyards £	Footway lighting £	Total £
Addington	2,365	925	-	3,290
Aylesford	15,800	8,351	2,681	26,832
Birling	2,365	1,727	140	4,232
Borough Green	5,345	-	1,349	6,694
Burham	2,365	1,443	193	4,001
Ditton	7,065	1,069	-	8,134
East Malling & Larkfield	19,664	2,575	613	22,852
East Peckham	4,917	3,439	1,157	9,513
Hadlow	5,833	9,756	35	15,624
Hildenborough	7,273	2,207	105	9,585
Ightham	3,012	2,725	-	5,737
Kings Hill	10,344	-	-	10,344
Leybourne	5,445	769	333	6,547
Mereworth	2,365	2,164	-	4,529
Offham	2,365	774	-	3,139
Platt	2,461	2,111	368	4,940
Plaxtol	2,365	2,076	245	4,686
Ryarsh	2,365	841	421	3,627
Shipbourne	2,365	1,343	-	3,708
Snodland	15,053	12,081	2,436	29,570
Stansted	2,365	1,040	-	3,405
Trottscliffe	2,365	452	-	2,817
Wateringbury	2,967	4,703	701	8,371
West Malling	3,932	3,682	1,647	9,261
West Peckham	2,365	1,101	-	3,466
Wouldham	2,365	668	140	3,173
Wrotham	2,605	4,299	946	7,850
<b>Total</b>	<b>140,096</b>	<b>72,321</b>	<b>13,510</b>	<b>225,927</b>

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## Parish council precepts

Precept for 2015/16 £	Parish council	Precept for 2016/17 £	Tax base	Amount per band D property £	Per band D variation %
18,594.68	Addington	18,926.99	382.75	49.45	0.0
166,525.96	Aylesford	177,374.00	3,934.33	45.08	5.7
8,772.00	Birling	8,772.00	195.89	44.78	0.9
143,334.00	Borough Green	153,466.00	1,531.89	100.18	2.1
18,516.02	Burham	19,441.82	440.86	44.10	5.1
202,450.58	Ditton	208,386.00	1,738.72	119.85	1.8
223,560.93	E. Malling & Larkfield	232,286.00	4,849.82	47.90	2.7
110,274.00	East Peckham	112,951.00	1,263.22	89.42	0.8
76,764.00	Hadlow	80,229.00	1,483.85	54.07	4.7
32,178.55	Hildenborough	54,111.00	2,164.42	25.00	66.7
95,784.00	Ightham	106,317.00	1,094.58	97.13	10.4
215,938.00	Kings Hill	240,467.00	3,855.49	62.37	8.0
112,139.00	Leybourne	114,816.00	1,510.94	75.99	0.0
10,861.11	Mereworth	11,947.22	417.70	28.60	7.8
16,408.98	Offham	16,528.75	373.70	44.23	0.0
51,100.00	Platt	62,000.00	855.89	72.44	19.9
23,490.00	Plaxtol	24,664.00	573.16	43.03	4.5
14,287.60	Ryarsh	14,289.88	283.08	50.48	(5.8)
8,556.83	Shipbourne	8,643.00	250.74	34.47	0.0
235,677.00	Snodland	256,224.00	3,413.09	75.07	6.8
15,600.00	Stansted	16,000.00	243.45	65.72	(0.6)
11,500.00	Trottiscliffe	13,000.00	263.04	49.42	12.9
68,844.24	Wateringbury	109,516.32	885.48	123.68	59.0
71,780.00	West Malling	73,993.00	1,096.26	67.50	2.4
2,998.00	West Peckham	2,998.00	173.32	17.30	0.3
27,381.00	Wouldham	27,680.00	468.55	59.08	4.8
59,813.00	Wrotham	64,987.00	826.42	78.64	4.5
2,043,129.48	Total	2,230,014.98	34,570.64		

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**GENERAL FUND WORKING BALANCE**

Balance at 1.4.2015		£1,250,000
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Balance at 1.4.2017		£1,250,000
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**GENERAL REVENUE RESERVE**

	£	£
Balance 1.4.2015		4,670,925
Budgeted to be transferred to the Reserve	73,550	
Decrease on Original Estimate	850	
		74,400
Estimated Balance at 1.4.2016		4,745,325
Contribution to the Reserve 2016/17		474,500
Estimated Balance at 31.3.2017		5,219,825

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**STATEMENT ON THE ROBUSTNESS OF THE ESTIMATES  
AND THE ADEQUACY OF THE RESERVES**

**Introduction**

This statement is given in respect of the 2016/17 Budget Setting Process for Tonbridge and Malling Borough Council. I acknowledge my responsibility for ensuring the robustness of the estimates and the adequacy of the reserves as part of this process. The budget has been prepared within the context of a Medium Term Financial Strategy (MTFS) spanning a ten-year period.

The MTFS sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This includes achieving a balanced revenue budget by the end of the strategy period and to retain a minimum of £2m in the General Revenue Reserve by the end of the strategy period. The MTFS 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.

By way of context, since 2010/11 the Council has seen its core funding, its Settlement Funding Assessment (SFA), fall by more than £4.2m or 60% with further cuts planned in future years. Indeed, indicative figures up to 2019/20 suggest that our SFA at that time will be £5.8m less in cash terms compared to 2010/11 or 80%. Up until now the fall in core funding has to a large extent been negated by the grant award under the New Homes Bonus (NHB) scheme which in 2016/17 is around £3.8m. However, indicative figures have been provided by the government which reflect proposed changes (subject to consultation) to the scheme where in 2019/20 our NHB is projected to be £2.3m.

It can be seen from the above that the ongoing reduction in government grant funding has and continues to place ever increasing pressure on the Council's finances and, in turn, financial sustainability. Based on the indicative figures provided by the government in the local government finance settlement 2016/17 for the period 2016/17 to 2019/20, amongst other things, latest projections point to a 'funding gap' between expenditure and income of circa £1.825m to be addressed over the medium term. We do believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but with ever increasing pressure this is becoming progressively more difficult.

It is clear from what is undoubtedly a significant financial challenge some difficult choices will have to be made. Alongside the MTFS now sits a Savings and Transformation Strategy. Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead and, in so doing, recognise there is no one simple solution and we will need to adopt a number of ways to deliver the savings within an agreed timetable.

## **Robustness of Estimates**

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. It is a Strategy that is adopted by Members of the Council alongside the Budget for 2016/17 to provide a forward looking context for the consideration of the budget year ahead. It also provides the Council's Corporate Management Team with a tool for strategic financial planning and decision making.

Underneath the Strategy sits detailed estimates formulated in conjunction with Service Managers who carry responsibility of delivering their area of service within budget provision. The estimates take into account past outturn, current spending plans and likely future demand levels / pressures.

Factors taken into account for the 2016/17 Budget Setting Process and in developing the Strategy are:

The Council's Aims and Priorities	The current set of seven Key priorities applies to 2012/15 and the Council is in the process of preparing a new Corporate Performance Plan which will be shaped by the continuing financial pressure faced by the Council.
Consultation with Non-Domestic Ratepayers	The Council consults representatives of its non-domestic ratepayers about its expenditure proposals who may make written representations if they deem it appropriate. No such representations have been received.
The level of funding likely from Central Government towards the costs of local services	Our Settlement Funding Assessment (SFA) for 2016/17 is £2,761,567. Indicative figures have also been provided up to 2019/20 where our SFA in that year is projected to be £1,283,705, a cash decrease of £2,394,894 or 65.1% compared to 2015/16. Included in the SFA is the parish councils' indicative allocation in respect of the council tax support scheme, however, it is not separately identified. Beyond 2019/20 it is assumed that our SFA will increase by 2% each year.
New Homes Bonus	Our New Homes Bonus (NHB) for 2016/17 is £3,843,083. Again, indicative figures have also been provided up to 2019/20 which reflect proposed changes (subject to consultation) to the scheme where our NHB is projected to be £2,332,049, a cash decrease of £769,104 or 24.8% compared to 2015/16. This figure is rolled forward each year thereafter, but remains at risk to further reductions over the period of the MTFS. Taken together, our overall grant funding including NHB in 2019/20 is projected to be £3,615,754, a cash decrease of £3,163,998 or 46.7% compared to 2015/16.
Business Rates	For medium term financial planning purposes beyond 2016/17 we assume that the business rates baseline attributed to Tonbridge and Malling under the Business Rates Retention Scheme is not notably different to the

	actual business rates income. If our actual income is less than the baseline set the authority will have to meet a share of that shortfall up to a maximum of circa £158,000 in 2016/17. This figure increases each year in line with inflation.
Council Tax Base	The Council Tax Base for 2016/17 is 47,629.13 band D equivalents with an expectation that this will increase by 4,275 over the strategy period, or 475 per year.
Local Referendums to Veto Excessive Council Tax Increases	The Secretary of State will determine a limit for council tax increases which for 2016/17 has been set at the higher of 2% or £5. 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. Due regard has been taken of the guidelines issued by the Secretary of State. The MTFs reflects an increase in council tax of £5 each year for the four-year period 2016/17 to 2019/20 and thereafter assumes a 3% increase year on year.
The Prudential Code and its impact on Capital Planning	Tonbridge and Malling is a debt-free authority and projections suggest that recourse to borrowing to fund capital expenditure is unlikely before 2019/20. A key objective of the Prudential Code is to ensure, within a clear framework, the capital investment plans of local authorities are affordable, prudent and sustainable.
The Council's Capital Strategy and Capital Plan	Other than funding for the replacement of our assets which deliver services as well as recurring capital expenditure, there is now an annual capital allowance for all other capital expenditure. That allowance is set at £200,000 (maximum) whilst the Council has sufficient funding in its capital reserves.
Treasury Management	A Treasury Management and Annual Investment Strategy is adopted by the Council each year as required by the Local Government Act 2003 as part of the budget setting process. The Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. Council adopted the December 2009 edition of the CIPFA Treasury Management Code of Practice and Cross-Sectoral Guidance Notes on 18 February 2010 and due regard has also been given to subsequent revisions in preparing the Treasury Management and Annual Investment Strategy for 2016/17.
Interest Rates	Interest returns on the Council's 'core funds' have been set at 1.0% in 2016/17 rising gradually to 4.25% over the medium term. In setting these rates due regard has been taken of the interest rate forecasts of the Council's independent Treasury Adviser, Capita Services. To put this into context, 0.25 of a percentage point would currently generate investment income on our 'core funds' of about £37,500. Conversely, a dip in investment

	returns would have a negative impact on the Council's budget. The Council has chosen to retain a minimum of £2m in its General Revenue Reserve in order to deal with, amongst other things, interest rate volatility.
Adequacy of Reserves	At the beginning of 2016/17, we anticipate that the General Revenue Reserve balance will be £4.745m. The Adequacy of Reserves is discussed in more detail below.
Pay and Price Inflation	The estimates provide for a 1% pay award in 2016/17 and for the following three years and 2% in subsequent years. Estimates reflect price inflation of 1.5% on contractual commitments in 2016/17 and a general uplift of 2% year on year in subsequent years.
Fees and Charges	As has been the practice for a number of years now the objective has been to maximise income, subject to market conditions, opportunities and comparable charges elsewhere.
Emerging Growth Pressures and Priorities	The projections within the Medium Term Financial Strategy include all known and quantified priorities and growth pressures that we are aware of at the present time. New priorities and growth pressures will undoubtedly emerge over the period and in consequence, the Strategy will be updated at least annually.
Financial Management	The Council's financial information and reporting arrangements are sound and its end of year procedures in relation to budget under / overspends clear. Collection rates for council tax and NNDR remain good. Our external auditor (Grant Thornton UK LLP) following the 2015 audit concluded that the Council continues to have an effective framework of financial control and robust arrangements for financial governance; it has a structured approach to addressing financial pressures within a strong medium term planning framework, and a history of achieving planned savings.
Insurance Arrangements and Business Continuity	Risks identified via the preparation of Service / Section Risk Registers have wherever possible been reduced to an acceptable level. Any remaining risk has been transferred to an external insurance provider. In addition, specific arrangements are in place to ensure the continuity of business in the event of both major and minor disruptions to services. As insurance premiums are reactive to the external perception of the risks faced by local authorities and to market pressures, both risks and excess levels are kept under constant review. The Council recognises that not all risks are financial; and takes into account all risks when making decisions.
Corporate Governance and Risk Management	The Council has adopted a Corporate Governance Code based upon the requirements of the CIPFA/SOLACE Corporate Governance framework. This incorporates

	Risk Management and the Council is committed to a Risk Management Strategy involving the preparation of Risk Registers at both strategic and operational levels.
Equality Impact Assessments	Adjustments to revenue budgets where there are deemed to be equality issues a separate equality impact assessment has or will be undertaken at the appropriate time. In addition, an equality impact assessment is undertaken and reported to Members prior to commencement of a new capital plan scheme.
Partnership Working	The Council is working in partnership with its neighbouring councils with the aim of not only delivering savings through joint working, but also to improve resilience and performance.
Government Led Initiatives / Proposals	Continued public sector finance cuts; Welfare Reform and cessation of the administration of housing benefits over a transitional period in the lead up to the introduction of Universal Credit; the sustainability of the NHB scheme and what will follow; the ongoing impact of the localisation of council tax support; the business rates retention scheme; and proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees will impact on the Council's finances in-year and over the medium to longer term. The increased volatility and uncertainty attached to a number of these issues is such that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections. As a result we will need to closely monitor the impact of these issues on the Council's finances at regular intervals.
Savings Initiatives	The Council has a significant challenge ahead in respect of delivering savings over the medium term with a current projected funding gap of circa £1.825m. It should also be noted depending on what happens to NHB further savings could be required. The Council is able to break these savings down into "tranches" to enable more measured steps to be taken in securing these savings. In the coming months, options to deliver a further tranche/s of the required savings will need to be considered, agreed and actioned under the framework set out in the Savings and Transformation Strategy. In addition, the Management Team will continue to seek efficiency savings in the delivery of existing services.

These assumptions and changing circumstances will require the Strategy to be reviewed and updated at least annually.

## **Adequacy of Reserves**

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net for unseen or other circumstances. The minimum level cannot be judged merely against the current risks facing the Council as these can and will change over time. The objective is to retain a minimum of £2 million in the General Revenue Reserve by the end of the strategy period and given below are areas of operational and financial risk (not exhaustive) considered in determining the appropriate minimum level.

- Interest Rate volatility
- Income volatility
- Change to Government Grant including New Homes Bonus
- Identified savings not being delivered in the required timescales
- Localisation of council tax support
- Business rates retention scheme and associated volatility of income
- Planning Inquiries
- Partnership Working
- Emergencies
- Economic and world recession
- Poor performance on Superannuation Fund
- Bankruptcy / liquidation of a major service partner
- Closure of a major trading area, e.g. leisure centre for uninsured works
- Problems with computer systems causing shortfall or halt in collection performance
- Government Legislation
- Ability to take advantage of opportunities
- Uninsured risks

Clearly, the minimum General Revenue Reserve balance needs to and will be kept under regular review. The General Revenue Reserve balance at 31 March 2026 is estimated to be £2.645m based on an increase in council tax of £5 for 2016/17 with the Council working to a balanced budget.

In addition, a number of Earmarked Reserves exist to cover items that will require short-term revenue expenditure in the near future.

The Revenue Reserve for Capital Schemes is established to finance future capital expenditure. A funding statement illustrates that recourse to borrowing

to fund capital expenditure is unlikely before 2019/20. The Revenue Reserve for Capital Schemes balance at 31 March 2022 is estimated to be £1.994m.

A schedule of the reserves held as at 1 April 2015 and proposed utilisation of those reserves to 31 March 2017 is provided in Annex 17 Table A.

Balances held generate interest receipts which support, underpin and contribute towards meeting the objectives of the Strategy.

### **Opinion**

I am of the opinion that the approach taken in developing the 2016/17 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of the reserves.

Signed: 

Date: 11 February 2016

Director of Finance and Transformation, BSc (Hons) CPFA

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## RESERVES ESTIMATE 2016/17

Annex 17 - Table A

Description	Balance as at	Estimated Contribution		Estimated	Estimated Contribution		Estimated
	1 April 2015	From	To	Balance as at	From	To	Balance as at
	£	£	£	£	£	£	£
<b>General Revenue Reserve</b>	4,670,925		74,400	4,745,325		474,500	5,219,825
<b>Revenue Reserve for Capital Schemes</b>	6,831,119	1,675,000	766,000	5,922,119	2,582,000	1,075,000	4,415,119
<b>Building Repairs Reserve</b>	75,585	575,250	850,000	350,335	715,650	525,000	159,685
<b>Earmarked Reserves</b>							
Democratic Representation	23,869			23,869			23,869
Special Projects	933,388	5,900	0	927,488	705,900	0	221,588
Local Development Framework	111,396	30,000	40,000	121,396	30,000	40,000	131,396
Election	164,808	125,100	25,000	64,708		25,000	89,708
Planning Inquiries	45,518	22,500		23,018	22,500		518
Tonbridge Town Centre	126,746	5,200		121,546			121,546
Training & IiP Accreditation	22,813			22,813			22,813
Road Closures	7,362			7,362			7,362
Supporting People	53,200			53,200			53,200
Community Development	107,950	60,250		47,700			47,700
Invest to Save	102,453		50,000	152,453		300,000	452,453
Economic Development	85,599	58,000		27,599			27,599
Housing & Welfare Reform	18,430			18,430			18,430
Tonbridge and Malling Leisure Trust	181,470			181,470			181,470
Housing Assistance	176,354			176,354			176,354
Flood Recovery & Defence	100,000	75,000		25,000	25,000		0
Business Rates Retention Scheme	2,835,132	575,900		2,259,232	2,000,000		259,232
Public Health	21,107			21,107			21,107
Transformation	28,000		36,000	64,000			64,000
	5,145,595	957,850	151,000	4,338,745	2,783,400	365,000	1,920,345
<b>Total</b>	<b>16,723,224</b>	<b>3,208,100</b>	<b>1,841,400</b>	<b>15,356,524</b>	<b>6,081,050</b>	<b>2,439,500</b>	<b>11,714,974</b>

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**Tonbridge & Malling Borough Council**

**Calculation of Council Tax Requirement for the year 2016/17  
which includes sums required to meet Parish Council Precepts**

**Draft Resolution**

That the following amounts be now calculated by the Council for the year 2016/17 in accordance with Section 31A of the Local Government Finance Act 1992:-

		£	
(a)	Aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) N.B. This includes Parish Precepts	88,371,801	
(b)	Aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) N.B. This includes Local Government Finance Settlement	76,972,729	
(c)	Calculation under Section 31A (4), being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above	----- 11,399,072 -----	

<u>Memorandum:-</u>	
	£
Borough Council	9,169,057
Parish Council Precepts	2,230,015
	-----
Total	11,399,072 -----

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