

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive

Julie Beilby BSc (Hons) MBA

Gibson Building
Gibson Drive
Kings Hill, West Malling
Kent ME19 4LZ
West Malling (01732) 844522

NB - This agenda contains proposals, recommendations and options. These do not represent Council policy or decisions until they have received proper consideration through the full decision making process.

Contact: Committee Services
committee.services@tmbc.gov.uk

9 November 2015

To: MEMBERS OF THE CABINET
(Copies to all Members of the Council)

Dear Sir/Madam

Your attendance is requested at an extraordinary meeting of the Cabinet to be held in the Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 17th November, 2015 commencing at 7.30 pm

Yours faithfully

JULIE BEILBY

Chief Executive

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The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

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Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

MEMBERSHIP

Councillor N J Heslop, (Leader)
Councillor Mrs J A Anderson, (Housing and Environment Services)
Councillor M A Coffin, (Finance, Innovation and Property)
Councillor Mrs M F Heslop, (Community Services)
Councillor B J Luker, (Community Safety)
Councillor H S Rogers, (Planning and Transportation)

Members of the Council who are not members of the executive may attend meetings of the Cabinet. With the agreement of the Leader, any such Member may address the Cabinet on any item on the agenda but may not vote.

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Apologies for absence

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Declarations of interest

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

17 November 2015

Joint Report of the Management Team, Leader of the Council and Cabinet Member for Finance, Innovation and Property

Part 1- Public

Matters for Recommendation to Council

1 SAVINGS AND TRANSFORMATION STRATEGY

The report sets out for Members' approval a draft Savings & Transformation Strategy to address the significant financial challenges faced by the Council.

1.1 Introduction

- 1.1.1 At the last meeting of the Cabinet on 7 October, the Director of Finance & Transformation reported on how the Medium Term Financial Strategy (MTFS) was being updated.
- 1.1.2 Reference was made to the significant financial challenges facing the Council, including uncertainty over grant funding, especially New Homes Bonus, and the difficulty of financial planning. Cabinet agreed that it was appropriate to reflect the "central case" option in updating the MTFS, leading to a funding gap – and hence an overall savings target – of £1.4 million based on current forecasts. This is of course in addition to the £2.8 million that has been delivered over the last four to five years.
- 1.1.3 It was noted that the target needed to be achieved within the next three financial years, and can be broken down into the following three 'tranches':
- Tranche 1 - £200,000 being delivered by the beginning of 2016/17
 - Tranche 2 - £700,000 being delivered by the beginning of 2017/18
 - Tranche 3 - £500,000 being delivered by the beginning of 2018/19
- 1.1.4 At the meeting, Members recognised the significant financial pressure being faced and, in response to questions, the Chief Executive outlined the draft strategy Management Team had recently begun to prepare.
- 1.1.5 This report presents the proposed strategy for Cabinet's approval and recommendation onto Full Council for adoption alongside the MTFS.

1.2 Development of a Strategy

1.2.1 It is important to recognise that there is no one simple solution to address the challenges the Council faces. We will, therefore, need to adopt a number of ways to deliver the savings; set a timetable and then adhere to the agreed programme. Undoubtedly, this will be difficult alongside the operational pressures we are also facing. That said, this is the case for the majority of public service bodies in the current economic climate and therefore we are not in a 'unique' position.

1.2.2 The Management Team have set out our objectives in setting a Strategy and then identified a number of key 'themes' against which deliverable targets should, and can, be set. Members, in liaison with Management Team, will need to make decisions and take action to deliver these savings.

1.2.3 The attached table **[Annex 1]** sets out a summary of the key themes with outline targets for each. The targets are 'broad' and overachievement in one area may mean that other targets can be scaled back. Conversely, underachievement in one area will mean that other targets will need to increase.

1.2.4 In summary, the themes and outline targets are:

1)	Generate New Income	£100k
2)	In-Service Efficiencies	£200k
3)	Service Change and Reduction	£350k
4)	Fees & Charges	£100k
5)	Contracts	£350k
6)	Organisation Structure Change	£200k
7)	Partnership Funding	£200k
8)	Asset Management	£50k

1.2.5 At this stage, we cannot provide a definitive list of the options for savings within each 'theme', but over the coming months we expect to start bringing ideas forward for Members' consideration. It is expected that some options may be presented to Advisory Boards, as well as some being considered by the Overview & Scrutiny Committee (as they are now). In all cases, recommendations will be made to the Cabinet.

1.2.6 Members may note that the overall 'value' of the targets set out in Annex 1 is greater than the currently identified funding gap of £1.4 million. This is deliberate and reflects the fact that the targets by theme are very broad; and we also need to be aware that the funding gap could change depending on the outcome of the Spending Review.

1.3 Key Issues and Priorities

- 1.3.1 We suggest that underpinning the approach outlined above should be a set of priorities. To take an honest and transparent position, it would be misleading to say that the Council will be able maintain high standards of service across all that it does.
- 1.3.2 Whilst the draft strategy at Annex 1 includes some major areas where savings can be made without direct effect on services, it has to be recognised that we may need to decide that some service areas should change to accommodate saving requirements. That might mean doing things differently, more efficiently and with increased income opportunities where there is the opportunity to do so. On the other hand it might also mean that services will simply need to be run with less resources and we will have some difficult recommendations, and ultimately decisions, to make.
- 1.3.3 We are of the view that our priorities should focus on our customer and community service activity, doing all we can to maintain the Council's reputation of good front line service provision. In some areas there will need to be decisions as to the level of service we provide and in other cases whether we should stop doing some of the things we have traditionally done.
- 1.3.4 Ultimately, this is likely to result in us engaging with the public and partners about those choices through consultation exercises, and of course assessing and addressing any equality impacts that may arise.

1.4 Engaging our Staff

- 1.4.1 Full engagement with staff will be essential in taking forward these challenges. In many ways, the most significant challenge is a cultural one; i.e. the need to think and act differently. We are seeing some huge changes in terms of finance and policy on many important matters at national level that will impact upon us locally. We need to adjust the way we work in order to react to these changes; this will apply equally to both staff and Members.
- 1.4.2 Management Team have arranged staff briefings channels to ensure that good communication and awareness are in place, and to highlight the importance and approach to the work we have in front of us.

1.5 Next Steps

- 1.5.1 Members are asked to embrace this 'measured' approach, which we anticipate will need to be 'flexible' given the uncertainties regarding the Spending Review.
- 1.5.2 The Corporate Plan setting out the Council's overall Vision and Priorities will be presented to the Overview & Scrutiny Committee and the Cabinet early in the New Year. This document will provide Members with the overarching context for the consideration of savings options.

- 1.5.3 With particular reference to 'In-Service Efficiencies', Service managers will be asked to look very closely at their services and identify what can be done to achieve efficiencies. This will be against some savings targets to reflect a realistic and sustainable future budget and also taking into account the nature, scale and flexibility of the service.
- 1.5.4 Management Team will also consider opportunities for realigning services and management where that could bring benefits to working on priority service delivery to our customers and communities, as well as realising some efficiencies and savings.
- 1.5.5 The Overview and Scrutiny Committee have already agreed a programme of reviews which will assist in delivering options under several of the themes identified in paragraph 1.2.3.
- 1.5.6 With regard to the Fees and Charges theme, Members of the various Advisory Boards will see reports coming forward within the next couple of months.

1.6 Legal Implications

- 1.6.1 Any review of service provision should consider whether the services in question are mandatory i.e. services which the Council has a duty to deliver, or are additional/ discretionary services which the Council is empowered to provide and may be linked to payment by the service user for the additional costs of the discretionary service.
- 1.6.2 Although some services are mandatory, the Council may still have discretion over the level and type of service offered.

1.7 Financial and Value for Money Considerations

- 1.7.1 As set out above.

1.8 Risk Assessment

- 1.8.1 The Local Government Act 2003 requires the Chief 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. 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.
- 1.8.2 The increased uncertainty and volatility particularly in some of our major sources of income (business rates and New Homes Bonus) make financial planning difficult with the increased risk of significant variances compared to projections.

The forecast 'funding gap' of £1.4 million set out above needs to be addressed within the next three years in order to make the MTFS sustainable.

- 1.8.3 The draft Savings and Transformation Strategy gives a structure and framework as to how the Council can meet its financial challenges. This framework has been discussed in outline with the External Auditors who are content with the proposed approach.

1.9 Equality Impact Assessment

- 1.9.1 The decisions recommended through this paper at this stage have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users at this stage, although as savings options emerge, equality impact assessments will need to be carried out.

1.10 Policy Considerations

- 1.10.1 Communications ; Community; Human Resources; Customer Contact; Business Continuity/Resilience

1.11 Recommendations

- 1.11.1 Cabinet is requested to **RECOMMEND** to Full Council the **ADOPTION** of the Savings and Transformation Strategy to sit alongside the Medium Term Financial Strategy.

Background papers:

contact: Sharon Shelton

Nil

Julie Beilby

Julie Beilby
For Management Team

Nicolas Heslop
Leader

Martin Coffin
Cabinet Member for Finance,
Innovation & Property

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Savings & Transformation Strategy 2016/17 – 2019/20

INTRODUCTION

TMBC has to deliver some significant savings in our financial planning. Over the 10 year life of our Medium Term Financial Strategy (MTFS), we are very likely to have to deliver savings of at least £1.4 million in our base budget.

It could be more severe than that depending on what happens nationally. This is a major task when our net revenue expenditure is approximately £13 million and we have already delivered £2.8 million in savings over the last 4 to 5 years.

We are fortunate that we do not have to make all the savings required in our first year and can spread the challenge in 'tranches' over a few years, as set out within the MTFS. Nevertheless, we need to plan to make these savings and achieve as much as possible in the earlier years to provide the best long-term financial sustainability.

OBJECTIVES

In developing this strategy, the Council has set the following objectives:

1. To deliver sufficient savings in order to bridge the funding gap identified in the Council's MTFS, and to deliver those savings as quickly as possible in order to minimise risk to the Council's finances;
2. To direct resources to priority areas in line with the principles of the Council's Corporate Plan;
3. To maintain the Council's reputation of good front line service provision;
4. To adopt a 'mixed' approach to addressing the funding gap through a series of 'themes';
5. To be open to accept 'cultural' change in the ways we work and offer services to the public in order to release efficiencies and savings; and
6. To engage, as appropriate, with stakeholders when determining how savings will be achieved.

THE STRATEGY

It is recognised that there is no one simple solution to addressing the financial challenges faced. The Council will need to adopt a number of ways to deliver the savings within an agreed timetable.

This Strategy sets out a measured structure and framework for delivering the necessary savings through a series of 'themes'. Each theme has a deliverable target within a timeframe.

Whilst the framework includes some major areas where savings can be made without direct effect on services, by adopting this Strategy the Council has recognised that it may need to decide that some service areas should change to accommodate saving requirements. That might mean doing things differently, more efficiently and with increased income opportunities where there is the opportunity to do so. It might also mean that services will simply need to be run with fewer resources. The Council is committed to engagement with relevant stakeholders as proposals are brought forward.

The Themes, Targets, and Timeframes for the Strategy are set out in the table below, and will be the subject of review at least annually.

Progress on identifying and implementing savings across the various themes will be regularly reported to and reviewed by Management Team and in-year update reports presented to Members as appropriate.

Julie Beilby

Chief Executive

Sharon Shelton

Director of Finance & Transformation

Nicolas Heslop

Leader of the Council

Martin Coffin

Cabinet Member for Finance, Innovation
& Property

November 2015

Savings & Transformation Strategy 2016/17 – 2019/20

THEME	INDICATIVE YEAR(S)	TARGET £000	NOTES
New Income	2016/17/18	100	Opportunities for new income streams across the Council's Services
In-Services Efficiencies	2016/17	200	Targets to be set to reflect sustainable future budgets within Services
Service Change & Reduction	2016/17/18	350	Review of levels of service provision, considering discretionary spend and reductions in standards of mandatory services
Review of Fees and Charges	2016/17	100	Review of existing charges to maximise income and recovering costs
Contracts	2018/19/20	350	Opportunities for efficiencies in specifying and re-tendering major contracts
Organisation Structure Change	2017/18	200	Opportunities for management and service delivery improvements/efficiencies through realignment of services under combined management and review of senior management structures
Partnership Funding	2017/18	200	Review of funding arrangements with other agencies and sectors
Asset Management	2017/18	50	Investment opportunities from release of assets
TOTAL	2016-2020	1,550	

Note: This Strategy will be updated on a least an annual basis to reflect challenges set out in the Medium Term Financial Strategy

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

17 November 2015

Report of the Director of Finance and Transformation

Executive Non Key Decisions

1 KENT COUNTY COUNCIL BUDGET CONSULTATION

A report highlighting for Members' attention the budget consultation launched by Kent County Council; and to seek Cabinet's views on making a response to the proposal to withdraw the payments made to district councils in respect of second homes discounts.

1.1 Introduction

1.1.1 Members may be aware that Kent County Council (KCC) launched its 2016/17 budget consultation recently. Details can be found at:

<http://www.kent.gov.uk/about-the-council/have-your-say/budget-consultation> .

The consultation closes on 24 November with KCC's final draft budget scheduled to be published on 11 January 2016.

1.1.2 It has not been the normal practice for the Council to respond to the consultation, although Members can, of course, respond individually with their own views.

1.2 Payments in respect of Second Homes Discount

1.2.1 One aspect that I wish to bring to Members' attention is to an annual grant awarded by KCC that has direct impact on the Kent District Councils.

1.2.2 The Leader of the Council received an email on 23 October from KCC's Strategic Relationship Adviser on behalf of their Cabinet Member for Finance as follows:

"You will no doubt be aware that KCC has recently published our draft 2016/17 budget proposals for consultation. This identifies that we are facing the most challenging budget we have ever had to deal with arising from the combination of increasing spending demands combined and anticipated further funding reductions. This combination means we really will now have to consider some tough choices and re-examine all areas of spending, particularly where its discretionary. We have had a long-standing arrangement with district councils to share the KCC proceeds from the original powers to reduce the Council Tax discount on second homes from 50% to 10%. For some time now we have been discussing with finance officers that this arrangement is unsustainable in light of

the ongoing financial squeeze and that all districts have now removed the second homes discount entirely. This means we have to reconsider this long-standing arrangement. The attached note provides a briefing on the background to this arrangements and options to review it to help meet the financial challenge (this note has already been shared with finance officers). In advance of preparing final budget proposals (which we will publish in January) we are keen to have your views on the impact if we were to withdraw this arrangement, and whether we would need to consider transitional mechanisms to help districts manage the impact. We are conscious that the distribution of second homes varies between districts and thus the impact is also variable. We would like your views on both the impact and transitional mechanisms alongside our formal consultation which closes on 24th November.”

- 1.2.3 The note referred to above is attached at **[Annex 1]**.
- 1.2.4 Members will note that this Council receives around £31k in grant from KCC in respect of this agreement. In the past, these grants have assisted with funding for projects such as the Coldharbour Travellers site, Tonbridge Gateway and Memorial Garden and events to celebrate the Queen's Jubilee; plus funding towards the Community Safety Partnership.
- 1.2.5 Like TMBC, KCC is facing significant financial challenges and it is inevitable that discretionary grants like these are being put forward for review. Nevertheless, withdrawal of grant will impact of our ability to provide services, particularly when funding from other areas of KCC (e.g. public health) is also being brought forward for reduction.
- 1.2.6 In the document at Annex 1, Members will note that the question is asked as to *‘the impact of removing the district payment and whether (KCC) should consider any transitional factors to help manage the reduction’*. A transitional scheme withdrawing say one third of the original grant each year over a three year period might help to soften the impact. Members might also wish to highlight the fact that, as stated above, other grant funding from KCC is likely to be at risk in the near future and the impact needs to be considered in the round rather than in a piecemeal fashion.
- 1.2.7 Cabinet is asked to determine whether they wish to respond to this particular consultation regarding second homes discount payments, and if so approve a response to Kent County Council prior to the deadline of 24 November.

1.3 Legal Implications

- 1.3.1 This is a discretionary award made by KCC to district councils.

1.4 Financial and Value for Money Considerations

- 1.4.1 If the grant is withdrawn in full this will mean loss of income to TMBC of circa £31,000 per annum.

1.5 Risk Assessment

1.5.1 The potential withdrawal of the grant will need to be reflected in our financial planning.

1.6 Equality Impact Assessment

1.6.1 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 at this point.

1.7 Policy Considerations

1.7.1 Community

1.8 Recommendations

1.8.1 Cabinet is **RECOMMENDED** to

- 1) CONSIDER whether they wish to respond to the consultation regarding second homes discount payments , and if so:
- 2) DETERMINE a response to Kent County Council on the issue of second homes discount payments prior to the deadline of 24 November.

contact: Sharon Shelton

Sharon Shelton

Director of Finance & Transformation

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Consultation received from Kent County Council's Cabinet Member for Finance

Council Tax Second Homes Discount

Summary

We have had a long standing arrangement (since 2006/07) for the county council to share the proceeds from reducing the Council Tax discount on second homes with district councils. However, the time has now come that we must review these arrangements for 2016/17 as they are no longer sustainable. This paper sets out KCC's revised proposals, districts need to respond by 24th November.

Background

In 2006/07 KCC adopted¹ a new approach to spending the additional Council Tax levied as a result of district councils reducing the discount on second homes from 50% to 10%. Under the change KCC retained £2m towards its overall revenue budget (to be spent on local initiatives) and the remainder of the additional Council Tax levied through the KCC element of Council Tax was paid to district councils as a grant pro rata to the amount levied in each district as a result of reducing the discount² (to be spent on agreed local schemes). This policy was continued each year until 2011/12 with KCC retaining £2m towards its budget and the variable balance shared with districts.

By 2010 it was clear that the established arrangements could not be maintained, not least because they meant all of the Council Tax increases on second homes accrued to districts, districts also bore the full impact of any freeze/reduction. From 2011/12 it was agreed to revise the split with 75% of the proceeds going to KCC and 25% to the district council. It was also agreed to remove the restriction on the use of these funds.

Sustainability

KCC has been raising the issue of sustainability through Kent Finance Officers meetings over the last couple of years. The present arrangements are no longer sustainable for a number of reasons:

- All districts have removed the remaining 10% discount on second homes. This makes it impossible to identify the additional yield from reducing the discount from 50% to 10% which is necessary to calculate the 75%/25% split;
- We have frozen allocations at the same level as 2013/14 for the last 2 years pending a final resolution;
- The reductions in funding for local authorities have been substantially more and have lasted much longer than originally anticipated, particularly in 2015/16.

As a consequence of the above we have had to examine all areas of discretionary spending within the County Council Budget. This includes *inter alia* the payments we make to district councils from the second homes proceeds and the local grants available to KCC members (which were first established as part of the local initiatives funded from the original second homes scheme). In the circumstances we have

¹ As agreed at Kent Leaders & Chief Executives Forum

² As well as the KCC grant, Districts benefit from all of the extra Council Tax levied through their own precept

proposed reductions in both in response to the anticipated further reductions in local authority funding through the 2015 Spending Review (due to be announced on 25th November).

Revised Proposals

The “frozen” allocations which have been paid in each of the last 3 financial years are set out in table 1.

Table 1	Second Homes Payments
Ashford	£34,710
Canterbury	£97,520
Dartford	£8,660
Dover	£113,070
Gravesham	£7,180
Maidstone	£18,790
Sevenoaks	£34,740
Shepway	£94,650
Swale	£73,530
Thanet	£130,090
Tonbridge & Malling	£31,240
Tunbridge Wells	£44,290
	£688,470

KCC’s draft budget which is currently out to consultation includes the proposal to reduce member grants by 25% (reducing the grant available to individual councillors from £25k to £20k) and to remove the payment to districts from the second homes proceeds. The combined effect would result in the final termination of the established second homes arrangements. We would like to invite comments about these proposals to be submitted during the consultation period (closes 24th November). In particular we would like feedback on the impact of removing the district payment and whether we should consider any transitional factors to help manage the reduction.

Agenda Item 5

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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Agenda Item 6

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

**ANY REPORTS APPEARING AFTER THIS PAGE CONTAIN EXEMPT
INFORMATION**

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Agenda Item 7

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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