

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 February 2016

Report of the Chief Executive and Director of Finance and Transformation

Part 1- Public

A MORE DETAILED SUPPLEMENTARY REPORT ON “SETTING THE BUDGET FOR 2016/17” WILL BE CIRCULATED BEFORE THE MEETING ON 11 FEBRUARY.

Matters for Information

1 SETTING THE BUDGET FOR 2016/17

This is a holding report to update Members on where we are in setting the Budget for 2016/17. A detailed report will be circulated prior to the meeting.

1.1 Introduction

- 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, having regard to the guidance given by Cabinet, have been carefully considered by the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee.
- 1.1.2 **The remaining piece of the ‘jigsaw’ is the final Local Government Finance Settlement announcement which is expected to be some time during the week commencing 1 February.**
- 1.1.3 Once the Final Settlement is received a detailed supplementary report on Setting the Budget for 2016/17 will be circulated to Members in advance of the meeting to enable the Cabinet to make appropriate recommendations to Council.

1.2 Legal Implications

- 1.2.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.
- 1.2.2 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.

1.3 Financial and Value for Money Considerations

1.3.1 As set out in the detailed supplementary report.

1.4 Risk Assessment

- 1.4.1 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.
- 1.4.2 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.
- 1.4.3 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 2016/17, the MTFS assumes a 3% increase in council tax year on year whereas the threshold above which a referendum is to be held has in recent years been set at 2%.
- 1.4.4 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.
- 1.4.5 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.
- 1.4.6 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.
- 1.4.7 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.

Background papers:

Nil

contact: Sharon Shelton
Neil Lawley

Julie Beilby
Chief Executive

Sharon Shelton
Director of Finance and Transformation