

Report Number: 060216/CAB001

Date: 16 February 2006

TUNBRIDGE WELLS BOROUGH COUNCIL**REQUEST FOR DECISION BY CABINET**

Part I Report

Non Exempt

Title and Executive Summary:**Budget and Council Tax 2006/07**

This report provides proposals, including the results of consultation, to enable the Cabinet to make firm recommendations to the Council on the medium term aims, the detailed revenue budget and council tax for 2006/7 and the capital programme.

The report recommends a General Expenses Council Tax rate at Band D for 2006/07 of £82.44 which is an increase of 4.45% on 2005/06. The overall increase which includes special expenses is 4.99%.

WARD: N/A**Finance Director****PORTFOLIO: Finance, Resources
and Administration****Contact Officer: Ross Sutton Ext: 3375****PRIORITIES: ALL****RECOMMENDED –**

- (1) That the medium term aims be approved;
- (2) That the Revenue Budget for 2006/07 be approved;
- (3) That the Special Expenses for 2006/7 be approved;
- (4) That for 2006/07 the Special Expenses Council Tax rates at Band D shall be as follows:

	£ p
Royal Tunbridge Wells	86.66
Southborough	2.15
Capel	0.99
Bidborough	1.23

Cont/

(Items marked * will be the subject of recommendations by Cabinet to full Council; in the case of other items, Cabinet may make the decision, subject to call-in (Overview and Scrutiny Procedure Rule 15))

RECOMMENDED (cont) –

- (5) That for 2006/07 the General Expenses Council Tax rate at Band D shall be £82.44;
- (6) That the proposed Capital Programme for 2006/7 to 2008/9 be approved;
- (7) That the revised Financial Plan as adjusted for the proposed expenditure changes and council tax proposals be approved;
- (8) That the Council's budget requirement for the financial year 2006/07 calculated in accordance with Section 32 of the Local Government Finance Act 1992, shall be £xx,xxx,xxx (Figures include Town & Parish Precepts);
- (9) That the following amounts be calculated by the Council for the year 2006/07;
- (a) £ requires parish precepts being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act.
(ie. Total expenditure including transfers to reserves and Parish and Town Precepts)
- (b) £ requires parish precepts being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act.
(ie. Total income including transfers from reserves)
- (c) £ requires parish precepts being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8 (b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
- (d) £6,836,386 being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, formula grant and the amount which the Council estimates will be transferred in the year to the general fund from the collection fund.
(ie. The total of non-domestic rates, formula grant and the surplus on the Collection Fund).
- (e) £ requires parish precepts being the amount at 9(c) above less the amount at 9(d) above, all divided by the Council Tax Base, calculated by the Council, in accordance with Sections 33 (1) of the Act, as the basic amount of its council tax for the year.
(ie. The Band D tax if the budget requirement applied to the whole of the Borough).
- (f) £ requires parish precepts being the aggregate amount of all special items referred to in Section 34(1) of the Act.
(ie. The total of special expenses and parish and town precepts).
- (g) £82.44 being the amount at 9(e) less the result given by dividing the amount at 9(f) by the Council Tax Base, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates.
(i.e. The Borough Council's General Band D tax which will apply in all areas of the Borough).

RECOMMENDED (cont) –**(h) Part of the Council's area**

Royal Tunbridge Wells
Special Expense Area £

Southborough Special
Expense Area and
Town Council £

Capel
Special Expense Area £
and Parish

Bidborough £
Special Expense Area
and Parish

Parishes and Town Areas:-

Benenden	£ not yet fully available
Brenchley	£
Cranbrook	£
Frittenden	£
Goudhurst	£
Hawkhurst	£
Horsmonden	£
Lamberhurst	£
Paddock Wood	£
Pembury	£
Sandhurst	£
Speldhurst	£

being the amounts given by adding to the amount at 9(g) above the amounts of the Special item or items relating to dwellings in those parts of the Council's area mentioned divided in each case by the Council Tax Base for the relevant part of the area, calculated the Council, in accordance with Section 34(3) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.
(ie. The total of the Band D tax for the Borough General, Special Expenses and Parish and Town Councils. NB. Excludes Kent County Council, Police and Fire Authorities)

Reasons: To enable Cabinet to make firm recommendations to Council on the medium term aims, the detailed revenue budget and council tax for 2006/7 and the capital programme.

TUNBRIDGE WELLS BOROUGH COUNCIL

CABINET – 16 FEBRUARY 2006

REPORT OF FINANCE DIRECTOR AND DEPUTY CHIEF EXECUTIVE

BUDGET AND COUNCIL TAX 2006/7

Executive Summary

The report (060216/CAB001) provides proposals, including the results of consultation, to enable the Cabinet to make firm recommendations to the Council on the medium term aims, the detailed revenue budget and council tax for 2006/7 and the capital programme.

The report recommends a General Expenses Council Tax rate at Band D for 2006/07 of £82.44 which is an increase of 4.45% on 2005/06. The overall increase which includes special expenses is 4.99%.

FOR DECISION

Introduction

- (1) The Cabinet at its meeting on 15 December 2005 considered the Financial and Corporate Plan Review 2006/7 to 2008/9 (051215/CAB002) Initial proposals were agreed for public consultation and the Overview and Scrutiny Committee was also invited to submit comments.

Medium Term Aims

- (2) The following medium term aims were recommended by the Cabinet to Council:-

The Council will work in partnership to improve the quality of life for all who live, work and enjoy leisure time in the Borough

- Promoting and maintaining a thriving and diverse local economy
- Caring for our environment
- Having housing suitable for local people
- Developing safer and stronger communities

This will be achieved through

- Delivering high quality services to our customers
- Improving customer service and satisfaction
- Ensuring that we are well managed, proactive and deliver value for money services

Redirection of Resources

- (3) Members have sought over the past twelve months to redirect resources to priority objectives, and this process is continuing as part of the 2006/7 budget deliberations. In particular the recruitment of an Economic Development and Business Liaison Officer in 2005 has confirmed Members' commitment to developing the local economy.

Report of Finance Director (cont)

Proposals put forward in the draft new organisational structure, currently subject to formal consultation, again show that Members are committed to ensuring adequate resources are directed to achieving sustainable economic development across the borough.

Over the past year additional resources have been directed to Housing and this will continue into 2006/7 with a further four posts being added to the Housing Services establishment. This additional resource will ensure the implementation of the recommendations of the recent review of Housing.

The draft restructuring proposals are also prioritising strategic planning and development by proposing additional capacity in creating a new directorate that will combine community and corporate planning, local and economic planning in one area to ensure coherence and consistency of plans and policies. Community Planning will be given a new focus with dedicated resource to take forward the implementation of the Community Plan and to strengthen focus on social inclusion. This will help support delivery of the safer and stronger communities priority.

Customer and stakeholder feedback as well as early indications from the review of Planning Services and Development Control indicate that additional resources are needed in the area of planning enforcement. Proposals are therefore being put forward to enhance service provision in this area.

Members have also identified the need to strengthen and raise the profile of work on diversity and equalities. In co-operation with Sevenoaks District Council, a new appointment of Equality Policy Officer has been put in place. It was agreed that this resource is to be funded for up to two years until policies are mainstreamed and all impact assessments are completed.

- (4) Based on the Council's corporate priorities, Table 1 shows the proposed revenue funding priorities:

TABLE 1			
£'000	2006/07	2007/08	2008/09
Promoting and maintaining a thriving and diverse local economy			
Cranbrook Area Leaflet and Promotion	10		
Caring for our Environment			
Planning Enforcement Officers (x2)	50	70	70
Pilot Scheme for Plastics Recycling	25	25	25
Air Quality Management	9.5		
Response to Flooding Incidents	21	21	21
Having housing suitable for local people			
Private Sector Housing Enforcement Officer	30	40	40
Private Sector Housing Enforcement Assistant	20	20	20
Housing Allocations Officer	22	22	22
Affordable Housing Officer p/t	22	22	22

Developing safer and stronger communities			
Concessionary Fares - free travel (gross)	469	469	469
RTW 400 th Anniversary Celebrations	84		
Customer Care & Efficiency			
CRM Operating costs	24	24	24
CRM Implementation	20	30	

Consultation and Scrutiny Review

- (5) Appendix A summarises the comments from the public consultation and the recommendations of the Overview and Scrutiny Committee.

Budget Proposals

- (6) The detailed Revenue Budget for 2006/07 and the capital programme have been compiled within the priorities and parameters set by the Corporate and Financial Plan review and has been informed by public consultation comments received prior to finalisation of the report. It is proposed that the Council at its meeting on 28 February 2006 approves the budget proposals subject to any changes which the Cabinet wish to recommend following any later consultation comments and views of the Overview and Scrutiny Committee which meets again on 9 February 2006.

Final Grant Settlement

- (7) The final formula grant settlement (revenue support grant and business rates) was notified on 31 January 2006 and totals £6,813,386.

Revenue Budget 2006/07

- (8) Appendix B shows the proposed detailed budgets.
- (9) A summary of the proposed revenue budget analysed by Portfolio is shown below in Table 2.

TABLE 2	£
Community Development, Law and Order	904,930
Economic Development and Transport	1,591,830
Environment	4,792,220
Finance, Resources and Administration	5,281,530
Housing	1,612,330
Leisure, Health and Well-being	5,994,780
Organisational Development, Productivity & ICT	129,000
Planning	2,378,750
Procurement, Partnerships and Communication	148,640
Net Contingency (incl restructuring costs/savings)	913,900

TOTAL PORTFOLIO SPENDING	23,753,910
Less: Notional Capital Charges	-8,135,030
NET EXPENDITURE BEFORE INTEREST	15,612,880

(10) A comparison of the Financial Plan to the detailed Budget for 2006/07 is shown in Table 3:

TABLE 3	2005/06 Approved February 2005	2005/06 Projected	2006/07 Financial Plan December 2005	2006/07 Budget
	£'000	£'000	£'000	£'000
REVENUE				
Net Revenue Spending	13,598	14,528	15,504	15,880
New Funding for Priority Areas			190	190
Efficiency Savings /Reduction in Non Priority Areas Target			-950	-840
Additional Income			-410	-410
Restructuring Savings		-67	-350	-400
Additional Savings Identified*				-407
Total	13,598	14,461	13,984	14,013
Restructuring Costs			1,420	1,600
Net Expenditure before Interest	13,598	14,461	15,404	15,613
Interest Receipts	-2,040	-2,184	-1,686	-1,762
Transport Strategy – Ring Fenced Surplus	120	84	120	173
Transfer from General Reserve	-443	-860	-1,696	-1,851
Budget Requirement (Excl' local precepts)	11,235	11,235	12,142	12,173

Funded from:				
Government Support	-6,212	-6,212	-6,800	-6,813
Council Tax Required	-5,018	-5,018	-5,337	-5,337
Collection Fund Surplus	-5	-5	-5	-23

* Note: **Appendix F** has the details of the additional savings/income identified.

Capital Programme Proposals

(11) The detailed proposals are shown at Appendix C.

(12) A summary of the proposed capital budget for 2006/7 analysed by Portfolio is shown below in Table 4.

TABLE 4	£'000
Community Development, Law and Order	546
Economic Development and Transport	536
Environment	541
Finance, Resources and Admin (incl new depot)	6,852
Housing	868
Leisure, Health and Well-being	1,731
Organisational Development, Productivity & ICT	472
Planning	175
Procurement, Partnerships and Communication	0
TOTAL	11,721

Note: The total is gross of £230,000 government grants.

Based on the Council's corporate priorities, the proposed new capital funding priorities are:

Having housing suitable for local people

- Disabled Facility Grants £217,000
- Housing Needs IT System £90,000
- Cinderhill Gypsy Site Improvements £18,000

Caring for our Environment

- Replacement Recycling Vehicle £50,000

Customer Care & Efficiency

- Customer Relationship Management IT System £159,000
- Parking Hand Held Computers £63,000

- (13) To finance the capital programme, the proposed sources of funding in 2006/7 are shown in Table 5 below. The estimated value of capital receipts to be received in the year 2006/07 are £1.932 million.

TABLE 5	£'000
Government Grants	230
Planning Agreements	389
Revenue Funding (Parking Surplus)	173
Capital Receipts	3,509
Reserves Funding	7,420
Lottery Funding	0
Borrowing	0
TOTAL	11,721

Budget Requirement

- (14) The Borough Council's overall budget requirement also takes into account the spending requirements (precepts) of Parish and Town Councils.

TABLE 6	2005/06	2006/07
Borough General Expenses	9,618,385	10,434,466
Special Expenses		
Royal Tunbridge Wells	1,605,020	1,727,830
Southborough	10,150	9,320
Bidborough	620	630
Capel	<u>890</u>	<u>910</u>
Total Special Expenses	1,616,680	1,738,690
Council's Spending Requirement	11,235,065	12,173,156
Parish/Town Council Precepts	1,155,037	Not yet fully available
Budget Requirement	12,390,102	

Special expenses are those services relating to part of the area which elsewhere are provided by Parish or Town Councils. In Royal Tunbridge Wells they include recreation grounds, commons, cemeteries, community hall and footway lighting. In Southborough and Capel they relate to footway lighting only. In Bidborough they relate to the maintenance of disused cemeteries. A fuller analysis can be seen in the detailed Budget papers. The Borough Council sets separate Council Tax rates for these areas.

Collection Fund

- (15) The Collection Fund is a separate fund through which the Council accounts for the collection of Council Tax and the payment of precepts (excluding parish and town councils).
- (16) The Council is required to include in its Council tax setting the estimated balance due to or from the Collection Fund at 31 March 2006.

- (17) The estimated year end positions to be transferred between the Collection Fund and the General Fund are **surpluses** of:

TABLE 7	2005/06	2006/07
	£	£
Council tax surplus	5,300	23,000
	(surplus)	(surplus)

Tax Base

- (18) The tax base for the whole Borough area in 2006/07 is £43,646.73 compared with £43,092.19 for 2005/06; an increase of 1.3%. Details of the tax base for all parts of the area are shown in the Cabinet report on 5 January 2006 (CAB007).

Council Tax

- (19) The Council must calculate the basic amount of tax excluding special expenses and parish and town council precepts.

TABLE 8	Total	Parish Precepts	Special Expenses	Excluding Special Items
		(Special Item)	(Special Item)	
Budget Requirement	Not yet fully available			
Less				
Non Domestic Rates	5,710,966			
Revenue Support Grant	1,102,420			
Collection Fund	23,000			
Net amount required from Council Tax	Not yet fully available	Not yet fully available	1,738,690	3,598,080
Tax Base	43,646.73	43,646.73	43,646.73	43,646.73
Band D Amount		-	- £39.83	= £82.44

- (20) The Council must also set the total tax for each part of the Borough taking into account the Borough's general and special expense tax rates, and including the requirements of Parish and Town Councils, Kent County Council, Kent Police Authority and the Kent Fire & Rescue Service.

Financial Plan Summary

- (21) A summary of the financial plan which now reflects the proposed detailed budget for 2006/7 and capital programme is shown at **Appendix D**.

Prudential Indicators

- (22) The annual setting of Prudential Indicators for capital expenditure is a requirement of the Local Government Act 2003. The indicators for 2006/7 are shown at **Appendix E**.

Budget Calculations and Adequacy of Reserves

- (23) In accordance with section 25 of the Local Government Act 2003 the Finance Director is required to report formally to the Council on the robustness of the estimates and the adequacy of the reserves. It should be noted that section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget.
- (24) The Council's financial plan and strategy review was considered in December 2005 and specifically considers the financial impact of the Council's current and proposed policies in the short, medium and longer term. The report considered the key issues and also included the key risks and uncertainties in the forecasts. The financial plan and strategy is reviewed each year providing the opportunity to amend future uncommitted programmes, review discretionary service priorities and amend funding options including the option to fund capital investment by borrowing in accordance with the prudential code.
- (25) The proposed detailed revenue budget, including new priorities, reflects the known expenditure and income requirements for 2006/07. There are no known material issues, which are either quantified or certain, which have not been included in the detailed budgets and which could not be met from the available revenue reserves.
- (26) The revenue budget for 2006/7 and later years includes savings to be achieved by the restructuring proposals to be considered by the Cabinet and Council in March 2006, improved efficiency and use of office accommodation, changes in procurement and by reducing the cost of lower priority services. The savings targets include the efficiency savings proposed as part of the public sector (Gershon) efficiency review. In 2006/7 these projected savings total £0.46 million and by 2008/9 £2.86 million.
- (27) The proposed budget for the period and the longer term implications will require the successful achievement of the savings. These will remain speculative until they are fully agreed and capable of being implemented and any associated severance costs fully quantified. The adequacy of proposed council tax levels to sustain proposed service requirements may need to be reviewed.
- (28) Provision for severance/ restructuring costs is included in 2006/07 and 2007/8. The Council has previously resolved to maintain a revenue contingency and working balance of £2.4m. This will be reviewed as part of the 2005/06 financial statements process.
- (29) The proposed capital programme and income reflects known commitments and priorities. No allowance has been made for any capital expenditure arising in the period 2006/7 to 2008/9 relating to further proposals in respect of qualifying refurbishment costs relating to Royal Victoria Place. Separate reserves and provisions have been made reflecting potential liabilities arising from planning and other agreements.
- (30) The reserves and balances at 1 April 2005 and projected at the end of 2005/06 are:-

Table 9	Actual 1 April 2005	Projected 31 March 2006
	£m	£m
<i>Capital</i>		
- Earmarked	5,134	3,337
- Other	1,059	525
<i>Revenue</i>		
- Earmarked	32,719	31,859
- General incl contingency	2,400	2,400
Provisions	874	0
Total	42,186	38,121

- (31) Capital reserves and income will be adequate to finance the identified capital programme and commitments in the period 2006/07 to 2008/09.

Government Reserve Powers

- (32) In considering the revenue budget and council tax proposals the Council must also have regard to the reserve power of the Government to use targeted capping where it considers an individual authority's budget to be excessive and the council tax increase to be unreasonably large. In arriving at a decision the Government can take into account the increases in prior years. The criteria for capping are not yet known. However, the Government has already indicated that it wishes to see an average council tax increase for England of less than 5% in 2006/7 and 2007/8 and will not hesitate to use its capping powers where it considers an authority's increase to be excessive. Capping could result in the reduction of the council tax very late in the process and require re-billing.

RECOMMENDED -

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G LEVITT**Finance Director****Appendices:**

- Appendix A** - Summary from public consultation and the recommendations of the Overview and Scrutiny Committee
- Appendix B** - Revenue Budgets 2006/07 by Portfolio
- Appendix C** - Capital Programme 2005/06 - 2008/09
- Appendix D** - Proposed Financial Plan Summary
- Appendix E** - Estimate of Prudential Indicators 2006/07 to 2008/09
- Appendix F** - Additional Savings Identified to Meet Financial Plan Target