

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA  
MEETING OF THE COUNCIL – 2 MARCH 2011**

**ITEM 6 – SUBMISSIONS FROM THE CABINET**

The following budget, plans and strategies were considered by the Cabinet at its meeting on 17 February 2011 and are now submitted to full Council for approval and adoption.

**1. BUDGET PROPOSALS 2011/12**

- 1.1 The attached report presents the Cabinet's budget proposals for 2011/12 and sets out its broad approach to revenue budgeting, council tax and the capital programme to 2013/14.

Residents, businesses, key partners and Scrutiny Committees were invited to comment on an earlier draft.

- 1.2 The plan will be published by the end of March, subject to any minor drafting or formatting changes.

**1.3. RECOMMENDATION**

The Council is recommended to adopt the Cabinet's budget proposals for 2011/12 and approve its publication.

**FOR DECISION**

**2. REVENUE BUDGET AND COUNCIL TAX 2011/12**

**2.1 INTRODUCTION**

2.1.1 The proposed budget:

- is consistent with the Council's medium term financial strategy (**Revenue Budget Book, page 1**) and its policy on reserves (**Revenue Budget Book, page 2**);
- follows consultation with the Scrutiny Committees and others on the 2011/12 proposed overall Council and Business Group budgets (set out in the **Revenue Budget Book**); and
- takes account of Council's agreement to the Council Tax base on 19 January 2011.

2.1.2 These proposals were developed in the light of the government's Spending Review plans announced on 20 October 2010 and as they applied locally in the local government finance settlement released on 13 December 2010 and confirmed on 31 January 2011 which covered the two financial years – 2011/12 and 2012/13.

## **2.2 LOCAL FUNDING**

2.2.1 The Council planned for losses of over £11 million in Formula Grant for 2011/12 and expected losses of grants held within the Business Groups to be anticipated and contained.

2.2.2 The near final outcome of the local government provisional settlement 2011/12 and 2012/13 was a total grant loss of £18 million:

- 1) an estimated loss of Formula Grant (on a wider definition than before) of over £13 million;
- 2) a further £2 million losses from former specific grants to Housing, Health and Adult Social Care consolidated within the wider coverage of Formula Grant for 2011/12 onwards; and
- 3) a net loss of grant within Family and Children's Services of £3 million.

2.2.3 The additional loss of Formula Grant has been found by a whole authority reduction in pension costs £1.4 million; £2 million from reductions in Housing, Health and Adult Social Care spending associated with grants that had already assumed to be ending in 2010/11, combined with a reduction in the Supporting People programme. The £3 million reduction in specific grants will be contained within Family and Children's Services Business Group.

2.2.4 The government has confirmed that a Council Tax Freeze Grant will be paid to all authorities who freeze their 2010/11 Council Tax. For the Royal Borough this would amount to £1.9 million and has been allowed for in setting the 2011/12 Council Tax.

2.2.5 The government has, as promised, reduced the number of funding streams to local government substantially. However not all the final grant allocations for 2011/12 are yet known, including Disabled Facilities Grant and Home Office led funding for community safety related spending. Some grants not yet announced have been assumed to continue and may require further budget adjustments as details emerge later in the year.

- 2.2.6 The government also announced a cash loss in Formula Grant for the Council of a further £9.3 million for 2012/13.
- 2.2.7 Government grants fund 53 per cent of the Council's gross spending of £400 million<sup>1</sup>. The Council will receive £212 million in specific grants in 2011/12 compared to £231 million for 2010/11<sup>2</sup>. A full list of the specific grant allocations included in the 2011/12 budget is set out in **Revenue Budget Book (page 8)**.
- 2.2.8 This may not conclude the changes in funding for the Council. The Government has announced and will be completing a local government finance review due to report in the summer, with options for change to be announced by this autumn.

## **2.3 THE COUNCIL'S POLICIES**

- 2.3.1 The core financial policies are the Council's Medium Term Financial Strategy and the Reserves Policy detailed in **Revenue Budget Book (page 1 and page 2)**. There are amendments to these highlighting the Council's aim of bearing down on the cost of providing public services through the public sector and the role of reserves.
- 2.3.2 The proposed budget will continue to maintain the Council Tax rate in the bottom quartile for London and retains a minimum of £10 million in the working balance.
- 2.3.3 It is the Council's policy to retain a minimum balance of £15 million in each of the Capital Expenditure Reserve and the Car Parking Reserve by the end of 2013/14<sup>3</sup>. Current forecast spending plans deliver this. There is no unsustainable use of reserves to meet recurring expenditure.
- 2.3.4 As part of this year's financial forecasting, all reserves held have been reviewed and their purpose reconfirmed or revised. A full list, with forecast balances for the next three years, is set out at **Revenue Budget Book (page 9)**.
- 2.3.5 Cabinet is requested to confirm that the minimum level of working balance should be £10 million. Full Council approval is required to reduce the working balance below that level.

---

<sup>1</sup> This excludes housing and Council Tax benefit grant.

<sup>2</sup> Also excluding housing and Council Tax benefit grant.

<sup>3</sup> This is confirmed within the Capital Programme 2011/12 – 2013/14 Appendix 7 "Capital Programme Funding".

2.3.6 The Council holds a central contingency budget for in-year budget risks such as higher than forecast pay and price inflation. The contingency available for release is £2.8 million.

## **2.4 COUNCIL TAX CONSULTATION**

2.4.1 The Council has again consulted residents via the annual Residents' Panel Council Tax survey and the summary results were reported to Cabinet on 16 December 2010<sup>4</sup>.

2.4.2 In summary the feedback was:

- A general shift against spending more and in favour of spending less.
- An increased proportion (from 40 to 45 per cent) who would disagree that they would rather see Council Tax rise than see cuts in services.
- An increased proportion (from 34 to 41 per cent) that would rather see cuts in local services than see Council Tax rise.

2.4.3 The original 2011/12 spending and savings proposals were published in a report to Cabinet in December; further publicised through the draft Budget Proposals 2011/12 published on the Council's website in December 2010; and these with the additional savings required were taken to Scrutiny Committees as part of the Business Group revenue budget reports in January and February 2011.

2.4.4 The process for inviting comments on the Budget Proposals was similar to the approach of previous years for the Cabinet Business Plan. The proposals were made available through the Council's website and residents were able to respond via an electronic comments form. Letters were also sent to key partners and residents' and tenants' associations inviting comment.

## **2.5 BUDGET PROPOSALS**

2.5.1 The proposed gross revenue budget for 2011/12 is £400 million. Within that, the budget requirement funded from Formula Grant and from Council Tax is £186 million.

---

<sup>4</sup> As detailed in Appendix 1 of the report: [Medium Term Planning - Budget and Service Prospects](#)

- 2.5.2 Please note that the figures for the Greater London Authority precept were not final at the time this report was dispatched. In addition, there is an unresolved legal challenge to the reduction in the London Councils Grants Scheme cost for 2011/12. The full value of this reduction - £0.3 million - is currently held in the contingency budget and can be released if required.
- 2.5.3 Full details of 2011/12 savings proposals by Business Groups are set out in the **Budget Proposals 2011/12** report elsewhere on the agenda.
- 2.5.4 Detailed service budgets for operating expenditure are set out in the Business Group estimates reports submitted in full to the Council as part of the Revenue Budget Book. This is summarised in **Table 1**. Full details are set out the **Revenue Budget Book**.

**Table 1 Budget Summary**

	<b>2010/11</b>	<b>2011/12</b>
	<b>£m</b>	<b>£m</b>
Family and Children's Services	54.615	52.442
Housing, Health and Adult Social Care	82.938	83.174
Planning and Borough Development	5.345	5.259
Transport, Environment and Leisure Services	24.139	21.452
Corporate Services	20.668	18.309
<b>Total Service Costs</b>	<b>187.705</b>	<b>180.636</b>
Area Based Grant held corporately	-20.109	0.000
Charges for Capital Assets and Financing	-4.859	-7.071
Pension Fund Liabilities	11.755	1.556
Contingencies and Provisions	2.404	3.123
Interest	-1.200	-1.000
Levies	3.677	3.263
Capital Reserves	5.500	5.500
Revenue Reserves	-0.692	1.942
Council Tax Freeze Grant	0.000	-1.947
<b>Total Spending</b>	<b>184.181</b>	<b>186.002</b>

Please note that the apparent increase in the contribution to revenue reserves is in fact substantially the opposite which neutralises reserve funded related budget changes (one off reserve releases in 2010/11) within the service budgets.

## **2.6 THE COUNCIL TAX**

- 2.6.1 The budget proposals produce a Royal Borough Council Tax freeze for 2011/12 with a band D figure for the Council's element of the tax of £769.30 excluding the Garden Square levies.
- 2.6.2 As a result of the way the Council Tax Freeze grant has been introduced any change in the Garden Square levies is counted as

part of the Council's spending. The final 2011/12 Garden Square levies total is £1.321 million compared to £1.325 million for 2010/11. The average Council Tax, as calculated by government including Garden Square levies, is £782.58 for 2011/12 compared to £782.61 for 2010/11. One Garden Square has amended its levy post Cabinet (an increase of £2k).

2.6.3 The 2011/12 budget is set out in **Table 2** below.

**Table 2 Budget Change and Council Tax**

	<b>£m</b>
<b>Council Tax Requirement 2010/11</b>	<b>77.9</b>
Price Inflation	2.7
External Cost Pressures	3.6
Grant Losses	18.3
Financing and Other Budget Changes	0.2
<b>Total Cost Pressures</b>	<b>24.8</b>
2011/12 Savings	-15.0
Area Based Grant In-Year Reduction	-1.3
2011/12 Addition Savings Post Settlement	-6.5
<b>Total Savings</b>	<b>-22.9</b>
<b>Less Council Tax Freeze Grant</b>	<b>-1.9</b>
<b>Council Tax Requirement 2011/12</b>	<b>77.9</b>
Taxbase	99,526
Band D Council Tax including garden square levies	£782.58
Increase at Band D %	0%
Band D Council Tax excluding garden square levies	£769.30
Increase at Band D %	0%

2.6.4 Varying the budget requirement of £186 million by one per cent increases the Council Tax by 2.4 per cent. Varying spending plans by £1 million would add £10 (1.3 per cent) to the band D Council Tax.

2.6.5 The Greater London Authority is expected to finalise its 2011/12 precept, which the Council collects on its behalf, at the London Assembly meeting on 23 February 2011. The band D Council Tax figure for 2011/12 is expected to be £309.82, frozen at the same level as 2010/11. Any change will be reported to Council on 2 March 2011.

2.6.6 Royal Borough and total Council Tax rates for each Band are shown in **Table 3** overleaf which also shows the percentage of dwellings falling under each band. Band G is the most common.

**Table 3 Total Council Tax**

	<b>Royal Borough</b>	<b>Greater London Authority</b>	<b>Total</b>	<b>% of Dwellings in Band</b>
<b>Band</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
A	512.87	206.55	719.42	2%
B	598.34	240.97	839.31	4%
C	683.82	275.40	959.22	11%
<b>D</b>	<b>769.30</b>	<b>309.82</b>	<b>1,079.12</b>	16%
E	940.26	378.67	1,318.93	15%
F	1,111.21	447.52	1,558.73	14%
G	1,282.17	516.37	1,798.54	23%
H	1,538.60	619.64	2,158.24	17%

2.6.7 Full details of Council Tax due including the Garden Square levies are set out in the Revenue Budget Book (pages ? and ?).

## **2.7 THREE YEAR FINANCIAL PLAN**

2.7.1 The Medium Term Financial Plan looks ahead for three years and given the uncertainties over public sector funding is somewhat speculative. This is set out in **Table 4** overleaf and based on the following:

- A review of significant external influences and changes likely to have an impact (excluding non cash items).
- A projection of the Council's spending and resources.
- Set within the framework of medium term financial planning principles (set out in the **Revenue Budget Book (page 1)**).

**Table 4 Three Year Budget Forecast**

		Change	Change
£ million	2011/12	2012/13	2013/14
<b>Inflation</b>		3.0	4.7
<b>External Cost Pressures</b>		1.7	1.7
<b>Contingency</b>			
<b>Pension Fund Liabilities</b>		-0.7	0.0
<b>Financing Costs</b>		0.0	0.0
<b>Interest Received</b>		-1.2	-0.2
<b>Movement on Reserves/Working Balance</b>		0.0	0.0
<b>Formula Grant</b>		9.3	1.9
<b>Council Tax Freeze Grant</b>			
<b>Forecast Savings Required</b>		<b>-10.1</b>	<b>-6.0</b>
<b>Royal Borough Council Tax Requirement</b>	<b>77.887</b>	<b>79.8</b>	<b>81.8</b>
<b>Council Tax Base</b>	99,526	99,500	99,500
<b>Council Tax Per Band D</b>	£782.58	£802.14	£822.19
Change in Council Tax £	£0	£20	£20
<b>Change in Council Tax %</b>	<b>0.0%</b>	<b>2.5%</b>	<b>2.5%</b>

2.7.2 The forecast has the following key assumptions:

- Zero inflation on pay and 2 per cent for non-salaries for 2012/13; 2 per cent on all budgets for 2013/14.
- Council Tax Freeze Grant is assumed to continue for the whole period.
- The Formula Grant is assumed to reduce by 2 per cent in 2012/13 and 7 per cent in 2013/14 in line with government control totals.
- Any further fall out of the remaining specific grants will be contained within Business Groups. These are now more limited in number and value.

## **2.8 LEGAL IMPLICATIONS**

2.8.1 The Council is required to set a balanced budget.

2.8.2 The Executive Director for Finance, Information Systems and Property is required, under the Local Government Act 2003, Part 2, Section 25, to report on the robustness of the estimates made for the purpose of calculating the Council Tax and the adequacy of reserves.

2.8.3 The Executive Director is satisfied that the budget calculations are robust and that the budget takes account of liabilities and financial

risks, but in particular it assumes that we will not rely on withdrawals from reserves to meet recurrent revenue commitments.

- 2.8.4 The Executive Director considers that current levels of unallocated reserves remain strong and contribute to the Council's sound financial position, taking into account Standard and Poor's AAA credit rating for the Council.
- 2.8.5 The Council Tax freeze should ensure an allocation of the government's Council Tax Freeze grant which has been taken into account in setting the Council Tax. This is subject to final confirmation by government.
- 2.8.6 The government still retains the power to cap excessive budgets and Council Tax increases and is expected to introduce compulsory referenda on Council Tax increases from 2012/13.

## **2.9 EQUALITIES IMPLICATIONS**

- 2.9.1 The equalities impact of specific budget proposals have been considered in January 2011 alongside the detailed Business Group budget reports considered by the Scrutiny Committees.
- 2.9.2 Where specific budget savings have yet to be decided in detail the equalities impact is considered and assessed by the relevant Business Group as part of the final decision-making and implementation process.

## **2.10 RECOMMENDATIONS**

The Council is recommended:

- (i) (a) **To approve** the revenue estimates for 2011/12 as submitted in the **Revenue Budget Book 2011/12**;
- (b) **To approve** the Medium Term Financial Strategy as set out in the **Revenue Budget Book (page 1)**;
- (c) **To approve** the Reserves Policy as set out in the **Revenue Budget Book (page 2)** including a minimum £10 million in working balances and a minimum balance of £15 million in the Capital Expenditure Reserve and Car Parking Reserve at the end of 2013/14;
- (ii) **To note** that at the Council meeting on 6 January 2011 it calculated the following amounts for the year 2010/11 in

accordance with regulations made under Sections 33(5) and 34(4) of the Local Government Finance Act 1992:

- (a) **99,526** being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as its Council Tax base for the year; and
  - (b) the amounts as set out in column three of the table **on page 10 of the Revenue Budget Book** being the amounts calculated by the Council, in accordance with regulation 6 of the Regulations as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.
- (iii) **To agree** that the following amounts be now calculated by the Council for the year 2011/12 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992 (the Act):-
- (a) £186,002,476 being the amount by which the aggregate of the amounts which the Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act; exceeds the aggregate of the amounts which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act; calculated by the Council in accordance with Section 32(4) of the Act as its budget requirement for the year.
  - (b) £108,115,419 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of Formula Grant, reduced by the amount of the sum that the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97 (4) of the Local Government Finance Act 1988 and any sums relating to the difference between amounts in respect of community charges credited and charged to the revenue account for any earlier financial year, and any sums pursuant to the

direction that is contained in the Collection Fund (Council Tax Benefit)(England) Directions 2001.

- (c) £782.58 being the amount at (iii)(a) above less the amount at (iii)(b) above, all divided by the amount at (ii)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year;
- (d) £1,321,426 being the aggregate amount of all special items referred to in Section 34(1) of the Act and listed in column four of the table on **page 10 of the Revenue Budget Book**;
- (e) £769.30 being the amount at (iii)(c) above less the result given by dividing the amount at (iii)(d) above by the amount at (ii)(a) above, 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;
- (f) the amount as set out in the table on **page 11 of the Revenue Budget Book** opposite each garden square listed in column two, being the amount given by adding to the amount at (iii)(e) above the amount of the special item or items set out in column four relating to dwellings in each of the garden squares divided in each case by the amount set out in column three, calculated by 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; and
- (g) the amounts as set out in **page 11 of the Revenue Budget Book** being

the amounts given by multiplying the amounts at (iii)(e) and (iii)(f) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in the proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- (iv) **To note** that for the year 2011/12 the Greater London Authority has stated the following amounts in precepts issued to the Council in respect of the functional bodies under its control, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

<b>VALUATION BAND</b>	<b>Greater London Authority Council Tax</b>
	<b>£</b>
A	206.55
B	240.97
C	275.40
D	309.82
E	378.67
F	447.52
G	516.37
H	619.64

- (v) Having calculated the aggregate in each case of the amounts at (iii)(g) and (iv) above, in accordance with Section 30(2) of the Local Government Finance Act 1992, to agree to set the following amounts as the total Council Tax for 2011/12 for each of the categories of dwellings shown below:

<b>VALUATION BAND</b>	<b>Total Council Tax (Not in Garden Squares)</b>
-----------------------	--

	<b>£</b>
A	719.42
B	839.31
C	959.22
D	1,079.12
E	1,318.93
F	1,558.73
G	1,798.54
H	2,158.24

with the amounts shown in the table at **page 12 of the Revenue Budget Book** set as the amounts of Council Tax for those dwellings where special Garden Levies apply.

**FOR DECISION**

**Officer Contact**

Mr Paul Kidd (Tel 020 7361 2316 email [paul.kidd@rbkc.gov.uk](mailto:paul.kidd@rbkc.gov.uk))

Ms Jess Laing (020 7361 2427 e-mail [jess.laing@rbkc.gov.uk](mailto:jess.laing@rbkc.gov.uk) )