

# BOROUGH OF KETTERING

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<b>Report Originator</b>	Strategic Management Team	<i>Fwd Plan Ref No:</i> A13/028	
<b>Wards Affected</b>	All	13 November 2013	
<b>Title</b>	MAINTAINING A DURABLE BUDGET		

**Portfolio Holder: Cllr I Jelley**

## **1. PURPOSE OF REPORT**

This report provides a reminder / update of the following core issues:

- a. Provide Members with a case study on the Council's fleet contract;
- b. Remind Members of the Council's medium term financial strategy and associated guiding principles;
- c. Illustrate the latest budget model, the delivery of efficiency savings for 2013/14 and the estimated level of budget savings that may be required over the next few years;

The report also provides members with the following:

- d. A reminder of the agreed changes to Council Tax Support effective from April 2014.
- e. Outline the budget timetable for 2014/15

## **2. CASE STUDY**

2.1 Members will recall that in previous budget reports we have identified case studies as examples of good practice. The previous examples related to the new arrangements for the following:

- ◆ Generic warden service
- ◆ Recycling pilots
- ◆ Kettering Borough Trainers
- ◆ Partnership work with the Citizens Advice Bureau.
- ◆ VAT recovery
- ◆ Prevent Strategy funding
- ◆ Flexible Working
- ◆ Printing Function
- ◆ Market
- ◆ Managing homelessness
- ◆ Staff Sessions
- ◆ Attracting External Funding to the Borough

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2.2 The case study in this report highlights savings the Council has achieved through the recent procurement of a new vehicle fleet.

### Case Study – Fleet

The Council's fleet contracts are for the supply and maintenance of vehicles, plant and equipment and have a contract value of over £1.2m per annum - one of the Council's largest contracts.

The Council's vehicle fleet comprises refuse freighters, street sweeping machinery and vehicles, and a range of vans used for property maintenance, environmental health and other functions.



Historically, the Council had a number of lease arrangements in place for the majority of the vehicles that it uses. In 2010 a number of the existing lease arrangements were extended to enable the procurement process to be undertaken collectively for the fleet making the future arrangements simpler to manage and also to maximise budget savings.

In May 2012, following a pilot scheme carried out in Burton Latimer and Desborough, the Council put plans in place to move to a revised method for collecting recycling material. In effect, the current specialist recycling vehicles would be replaced by standard refuse collection vehicles.

Following a procurement process that brought all previous contracts together 'in to one' and also facilitated the move to more standard specification vehicles, a contract that was awarded that will initially result in ongoing annual revenue savings in the region of £50,000 per annum (or £350,000 in 'cash' over the 7 year contract period).

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### 3. **BACKGROUND**

3.1 At the March Executive meeting Members approved that the budget delivery framework used in the three previous budget rounds be used for the preparation of the 2014/15 budgets. Specifically, members approved;

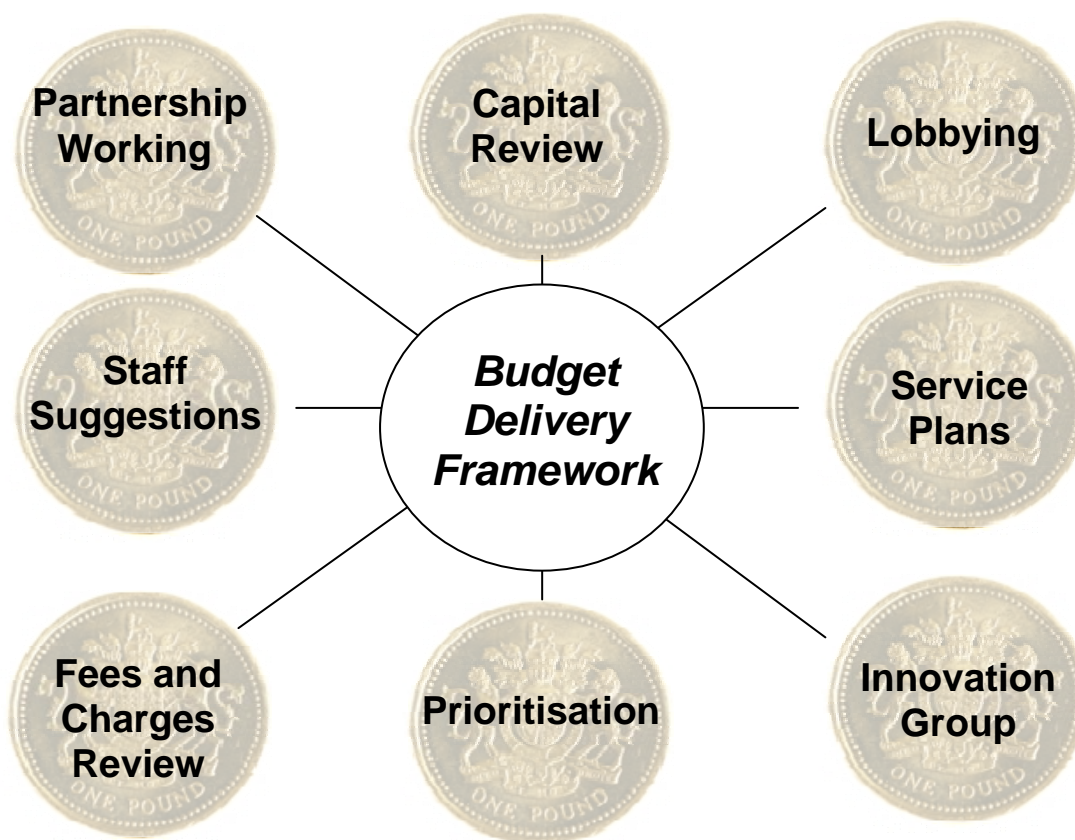
*“that the same methodology be applied to the formulation of the 2014/15 budget as it applied to the 2013/14 budget, with particular reliance on:-*

- the existing guiding principles*
- the existing modelling for recovery principles*
- the existing budget containment strategy*
- the existing eight workstreams”*

3.2 The strategy has to date proved extremely successful and helped provide additional flexibilities from which to address the national funding challenges that face all local authorities.

3.3 This overall strategy provides the cornerstone on which the Council's long-standing success in both setting a 'balanced budget' and delivering within budget are founded. The framework consists of eight workstreams – as illustrated below;

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3.4 The financial strategies key ‘*guiding principles*’ supplemented by the ‘*Modelling for Recovery Principles*’ and the ‘*Budget Containment strategies*’ have provided a strong cornerstone for the Council’s medium term financial strategy. For ease of reference, these are reproduced here:-

**Financial Strategy Guiding principles:**

- a. *Revenue balances should not fall below £1m and overall revenue reserves should not fall below 10% of net revenue expenditure;*
- b. *In setting the Council Tax, members should consider the medium term to ensure that a sustainable budgetary position is preserved (with due regard being given to any penalties that might apply);*
- c. *The level of household Council Tax to increase each year in line with inflation at least, where the budget is in deficit, to ensure resources remain consistent with budgeted costs;*
- d. *When setting the Capital Programme, consideration is given to allocating capital resources to schemes that are beneficial to the Council’s overall revenue budget position;*

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- e. *To maximise the resources available to the Authority, the Council will actively lobby the Government on relevant issues (e.g. grant distribution/ planning fees).*

### **Modelling for Recovery principles:**

- 1. Wherever possible, continue with all planned investments and programmes, to protect the local economy and lever in other investments;*
- 2. Given the strength of our Treasury position we should consider debt funding as a means of programme delivery or stimulus – if this can be shown to be sustainable and have a wider economic benefit;*
- 3. Organise our fiscal structures and business models to attract and retain the maximum amount of revenue within the local economy;*
- 4. To ensure all possible avenues are used within procurement rules to source locally;*
- 5. Protect the performance of Council services which come under particular strain;*
- 6. Work closely with partners in the voluntary, public and private sectors, to ensure optimum efficiency*

### **Budget Containment Strategy:**

- 1. Where a specific grant which funds a specific service is withdrawn, the service stops;*
- 2. Where grant funding reduces, which Kettering Borough Council passports through to another organisation, the reduced sum continues to be passported, providing the end recipient organisation feels it can still provide a value-added service at that funding point.*
- 3. Where a function is transferred to another provider, the Council leaves all service-provision discussions, including any top-up funding, with the new provider;*
- 4. The Council would ordinarily neither seek to buffer nor profit from tax changes.*
- 5. The Council should not substitute itself as a provider / funder of services when another public provider cuts such a service.*

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### 4 **MEDIUM TERM FINANCIAL FORECAST**

4.1 The Council's latest Medium Term Financial Forecast is shown in Table 1. Members are reminded that the forecast comprises the following 'Zones'.

- ◆ **Zone of Predictability** (2013/14 and 2014/15) – The provisional level of government funding has previously been announced for 2014/15, however there continues to be two significant areas of volatility being the Business Rates Retention Scheme and Council Tax Support which we will continue to monitor closely.
- ◆ **Zone of Unpredictability A** (2015/16) – The headline reductions in Departmental control totals were announced by the Chancellor on 26 June 2013 and further announcements regarding individual allocations are expected later this year.
- ◆ **Zone of Unpredictability B** (2016/17 – 2018/19) – Spending reviews over the next few years will provide the level of funding available for this period.

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**TABLE 1 - MEDIUM TERM FINANCIAL FORECAST**

		Zone of "Predictability"		Zone of "Unpredictability" A	Zone of "Unpredictability" B		
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
<b>1</b>	<b>Net Council Budget</b>	<b>12,174</b>	<b>11,781</b>	<b>11,111</b>	<b>10,666</b>	<b>10,351</b>	<b>10,019</b>
<b>2</b>	<b>Forecast Resources:</b>						
	<b>Government Grant:</b>						
<b>2a</b>	RSG	(3,034)	(2,222)	(1,649)	(1,180)	(749)	(352)
<b>2b</b>	Business Rates	(2,205)	(2,277)	(2,341)	(2,411)	(2,483)	(2,557)
	<b>Total Government Grant</b>	<b>(5,239)</b>	<b>(4,499)</b>	<b>(3,990)</b>	<b>(3,591)</b>	<b>(3,232)</b>	<b>(2,909)</b>
	Council Tax / Coll'n Fund	(50)	(25)	(25)	(25)	(25)	(25)
	Income From Council Tax	(5,778)	(5,806)	(5,835)	(5,864)	(5,893)	(5,921)
	<b>Total Resources</b>	<b>(11,067)</b>	<b>(10,330)</b>	<b>(9,850)</b>	<b>(9,480)</b>	<b>(9,150)</b>	<b>(8,855)</b>
<b>3</b>	<b>Budget (Surplus) / Deficit</b>	<b>1,107</b>	<b>1,451</b>	<b>1,261</b>	<b>1,186</b>	<b>1,201</b>	<b>1,164</b>
<b>4a</b>	<b>Council Tax Grant</b>	<b>(158)</b>	<b>(158)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5</b>	<b>Budget Frameworks</b>	<b>(949)</b>	<b>(1,150)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>6</b>	<b>Savings - To be secured</b>	<b>0</b>	<b>(143)</b>	<b>(1,261)</b>	<b>(1,186)</b>	<b>(1,201)</b>	<b>(1,164)</b>
<b>7</b>	<b>Budget (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**GENERAL FUND WORKING BALANCE**

		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		£000	£000	£000	£000	£000	£000
<b>8</b>	<b>Estimated Opening Balance</b>	<b>(1,415)</b>	<b>(1,480)</b>	<b>(1,545)</b>	<b>(1,545)</b>	<b>(1,545)</b>	<b>(1,545)</b>
<b>4b</b>	Council Tax Grant 13/14	(65)	(65)	0	0	0	0
<b>9</b>	<b>Estimated Closing Balance</b>	<b>(1,480)</b>	<b>(1,545)</b>	<b>(1,545)</b>	<b>(1,545)</b>	<b>(1,545)</b>	<b>(1,545)</b>

**Notes to Medium Term Financial Forecast**

- 1** **Net Council Budget** – This represents the net expenditure prior to the Budget Framework savings.
- 2** **Forecast Resources** – These are the Council's main funding streams (excluding fees and charges which are incorporated into Line 1). This illustrates the significant reduction in Central Government funding. To enable the total resources required to balance the budget to be identified, no assumptions have been made regarding future council tax

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increases. The small increase in revenue each year reflects anticipated housing growth in the borough.

- 3 Budget (Surplus) / Deficit** – This illustrates the gap between the budget and the total resources available before identifying budget framework savings.
- 4a Council Tax Grant** – This is a grant the Council receives from central government for four years in return for freezing Council Tax in 2011/12. This is equivalent to the cash that would have been received if a 2.5% increase had been levied.
- 4b Council Tax Grant 2013/14** – This is a grant the Council receives from central government for two years in return for freezing Council Tax in 2013/14. This is equivalent to the cash that would have been received if a 1% increase had been levied. A Council Tax Freeze has ongoing implications as an increase in Council Tax generates income year on year.
- 5 Budget Frameworks** – This identifies the total savings required.
- 6 Savings to be secured** – This identifies the total resources required to balance the budget in future years after 2013/14.



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### 5 BUDGET UPDATE

#### GENERAL FUND – 2013/14

5.1 From the last budget process, Members will recall that additional ongoing savings of £949,000 were required for 2013/14. These were identified as detailed in Table 2;

Table 2 - Identified Framework Savings 2013/14	Staff Suggestion / Service Plan / Innovation	Fees & Charges	Partner ships	Capital Review (GF Impact)	Lobbying	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Staffing &amp; Staff Related</b>			(5)			(5)
<b>Premises</b>	(83)		(20)			(103)
<b>Operating Costs</b>	(244)		(33)		(47)	(324)
<b>Total Expenditure Savings</b>	(327)	0	(58)	0	(47)	(432)
<b>Income</b>	(160)	(119)	(10)	(144)	(84)	(517)
<b>Total Savings</b>	<b>(487)</b>	<b>(119)</b>	<b>(68)</b>	<b>(144)</b>	<b>(131)</b>	<b>(949)</b>

5.2 Whilst the savings made give confidence that the Council remains “ahead of the curve” in delivering the Medium Term Financial Strategy. Members have previously been advised about the significant changes to local government funding and the risk transfer from central government to local government.

Such risks include:

- ◆ Business Rates Volatility
- ◆ Council Tax Benefits Volatility

5.3 During the budget process, members were informed of a number of ‘big ticket’ items. These are typically items of large value that could have a disproportionate impact on the Council's budget if they moved in an adverse fashion. Consequently these are monitored very closely and members and officers may occasionally try to influence (through lobbying) any changes that may take place especially when such changes are triggered through changes in national policy. These items are included in the Council's Swing – o – meter as detailed at Appendix A.

5.4 One of the issues contained in the swing-o-meter is ‘homelessness’ like most authorities the Council is currently experiencing significant pressure in this area. As reported in the last report, the preventative measures that the Council

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has introduced over recent years has helped keep any budgetary strain to a minimum, nevertheless, the strain on the budget continues to increase. This will require close measures over the coming months and will need further consideration at budget setting time.

- 5.5 As well as monitoring framework savings identified for 2013/14 work continues on identifying savings for the following year – 2014/15. Members are reminded that the Medium Term Financial Forecast (Table 1) required £1,293,000 of savings to balance the budget in 2014/15 this is prior to the consideration of Council Tax. In the previous durable budget report (to the October meeting of the Executive Committee) it was reported savings of £1,050,000 had already been identified. Table 3 shows that the figure now stands at £1,150,000 meaning that around 90% of the savings required for the next financial year have already been identified (and are being prepared for delivery) before the Committee has had to formally consider the budget for 2014/15. Given the Council's impressive track record of delivering efficiency savings, we are confident that by the time the Committee formally consider the budget for 2014/15 in early 2014 that the remaining gap will be closed.

<b>TABLE 3 - Identified Framework Savings 2014/15</b>	<b>Staff Suggestion / Service Plan / Innovation</b>	<b>Fees &amp; Charges</b>	<b>Partner ships</b>	<b>Capital Review (GF Impact)</b>	<b>Lobbying</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Staffing &amp; Staff Related</b>	(40)	0	0	0	0	(40)
<b>Premises</b>	(187)	0	0	0	0	(187)
<b>Operating Costs</b>	(207)	0	(20)	0	0	(227)
<b>Total Expenditure Savings</b>	(434)	0	(20)	0	0	(454)
<b>Income</b>	0	(156)	(20)	(200)	(320)	(696)
<b>Total Savings</b>	<b>(434)</b>	<b>(156)</b>	<b>(40)</b>	<b>(200)</b>	<b>(320)</b>	<b>(1,150)</b>

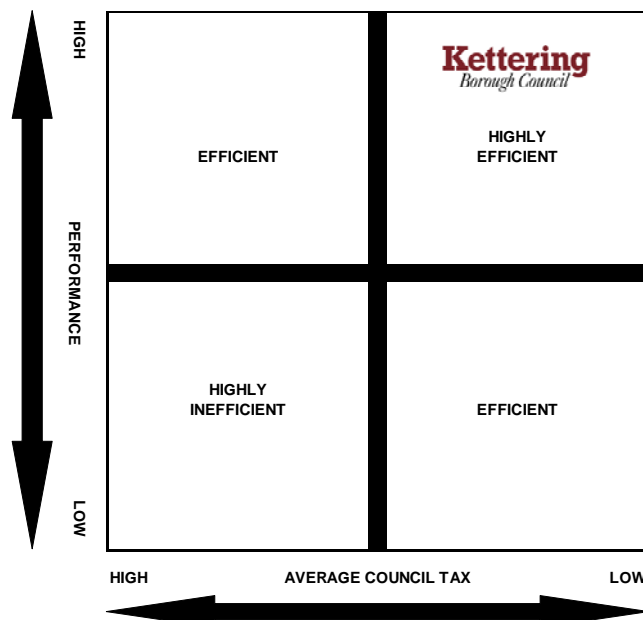
- 5.6 The Council's impressive record in identifying and delivering efficiency savings in the past four years, including the current year (2013/14), are around £5.4m - as illustrated in Table 4;

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Table 4 – Efficiency Savings	£000
2010/11	1,260
2011/12	1,910
2012/13	1,330
<b>Total</b>	<b>4,500</b>
2013/14	950
<b>Total</b>	<b>5,450</b>
<b>% Cash Savings (Net Budget)</b>	<b>50%</b>

- 5.7 The scale and delivery of this level of **efficiency savings is particularly impressive given that there has been no detrimental impact on the delivery of front line services** and when considering the increased costs of utilities and inflation levels. Over the four year period (as detailed in Table 4) the efficiency savings will be equivalent to approximately **50% (65% in real terms)** of the Council's draft net budget (which stands at £11m for 2013/14).
- 5.8 Members are reminded that **before the efficiency programme** commenced a number of years ago, the Council was charging a level of **Council tax below the national average yet delivering a level of performance that was above the national average.** Despite having to deliver efficiency savings of £5.450m in the past four years, the Council's level of council tax charged remains below the national average and performance remains above average.
- 5.9 Members will recall the following illustration that summarises the Council's overall position as being a 'high performing / low cost' local authority.



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5.10 Members are reminded that as savings initiatives and measures continue to be implemented, some transitional turbulence may be experienced even with the focus on protecting front line services, for example, internal response times are likely to be longer.

### HOUSING REVENUE ACCOUNT 2013/14 – CURRENT FINANCIAL YEAR

5.11 A summary of HRA monitoring at 31<sup>st</sup> October is shown in Table 5. The Housing Revenue Account is currently projected to come in on budget.

<b>Table 5 - HRA</b>	<b>Approved Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
	£	£	£
Gross Expenditure	15,207,750	15,207,750	0
Gross Income	(15,207,750)	(15,207,750)	0
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

### CAPITAL 2013/14 – CURRENT FINANCIAL YEAR

5.12 A summary of the projected Capital Programme outturn monitoring statement as at 31<sup>st</sup> October 2013 is shown in Table 6;

<b>Table 6 - Capital</b>	<b>Approved Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
	£	£	£
<b>Expenditure</b>			
HRA Schemes	4,346	4,346	0
General Fund Schemes	6,275	6,275	0
	10,621	10,621	0
<b>Financing</b>			
Government Grants	4,508	4,508	0
Prudential Borrowing	5,482	5,482	0
Revenue Contribution	366	366	0
Capital Receipts	265	265	0
	10,621	10,621	0
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

5.13 Table 6 has been updated to reflect the following decisions at the October Executive meeting:

- an amendment to the capital programme to enable the Depot resurfacing work and the construction of a building for maintenance and storage to be completed:

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- a capital budget to enable the some of the works for replacement roofs on the commercial units at Cunliffe Drive to be undertaken.

### **6 COUNCIL TAX SUPPORT**

- 6.1 Members will recall that from April 2013 Council Tax Benefit was replaced with Council Tax Support. The Council undertook an extensive public consultation during Autumn 2012 which included major precepting authorities (i.e., the County Council and the Police Authority), the voluntary sector and the public. The responses submitted were considered by the Executive and a new scheme was recommended by the Executive and approved by Full Council in January 2013.
- 6.2 The scheme has been designed to operate into the medium term without constant change, amendment and additional un-necessary consultation exercises.
- 6.3 To do this, members firstly had to decide on the scheme that they wished to operate prior to the consideration of any one off transitional grant that was available for 2013/14. This would enable the Council to make a decision about how the scheme would operate into the medium term. In coming to a preferred scheme, the Executive Committee gave due regard to the Councils Financial Strategy and the guiding principles that underpin that strategy. The following extracts from the Council's Budget Containment Strategy, are of direct relevance;

#### **Budget Containment Strategy:**

- 1. Where a specific grant which funds a specific service is withdrawn, the service stops;*
  - 2. Where grant funding reduces, which Kettering Borough Council passports through to another organisation, the reduced sum continues to be passported, providing the end recipient organisation feels it can still provide a value-added service at that funding point.*
  - 5. The Council should not substitute itself as a provider / funder of services when another public provider cuts such a service.*
- 6.4 Prior to discussing the options members endorsed a simple set of additional *guiding principles* that would help frame the discussion about which option was preferable. These were;
- a) In the medium term, the cost of a local scheme must be contained within the grant made available from the Government (to comply with the existing budget guiding principles)*

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*b) The scheme should incentivise work*

*c) The impact on working age claimants should as far as possible be minimised through considering changes to Council Tax exemptions and discounts.*

- 6.5 In October 2012 the government announced a transitional grant scheme which would be open to all authorities to bid for (provided that their local council tax support scheme met specific criteria as set down by the government).
- 6.6 Members agreed to apply for the one-off transitional grant for 2013/14 and the Council were successful in their application. Therefore 2013/14 was in effect a 'transitional year' until the new scheme was fully implemented in 2014/15. This meant that those who were previously on 100% support under Council Tax benefit will now pay 8.5% of their council tax liability in 2013/14 prior to moving to 15% in 2014/15.
- 6.7 Accordingly, members of the Committee are reminded that the scheme that Council approved in January 2013 will be fully implemented from April 2014. The one-off transitional grant that the Government paid for 2013/14 was for one year only.
- 6.8 Prior to the introduction of Council Tax Support the DWP provided details on how applicable amounts, premiums, deductions and disregards, would be updated annually. As a matter of technical housekeeping the following table outlines how each of these will be uplifted from April 2014 and annually each year thereafter (in line with DWP guidance). These changes require member approval. These changes ensure that the Council Tax Support scheme mirrors other national schemes (such as housing benefit) and remains current.

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<b>Table 7</b>		
<b>Item</b>	<b>Description</b>	<b>Uprating Source</b>
Applicable amounts	The applicable amount is the amount that the Government says that you and your family need to live on each week. When your applicable amount has been calculated it is then compared with your income to work out the level of support you will receive.	DWP prior to the introduction of Council Tax Support provided annual circulars for uprating applicable amounts when calculating Council Tax Benefit. As Council Tax Support is a local scheme these circulars are no longer issued. The applicable amount for Council Tax is to be uprated annually in line with changes to Housing Benefit as notified in the Housing Benefit circular.
Premiums	Additions to the applicable amounts for areas such as (but not limited to) children, disability and carers.	Uprated as per applicable amounts.
Disregards	Amounts permitted to be disregarded from a customer's income that is used in the calculation of an award.	Uprated as per applicable amounts.
Deductions	Deductions applied to an award when a non-dependant is in the household.	Uprated as per the Statutory Instrument for the National Scheme for pensioners – which provides for non dependant deductions for Council Tax Support schemes.

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## **7 BUDGET TIMETABLE**

- 7.1 A summary budget timetable is provided at Appendix B.
- 7.2 Members should note that the formal budget consultation period starts on the date of the January Executive Committee. Members will however be aware that the budget process at Kettering Borough Council is an ongoing process throughout the year that has been evidenced by the ongoing consideration of the durable budget report at each meeting of the Executive Committee.

## **8 CONSULTATION AND CUSTOMER IMPACT**

- 8.1 None as a direct consequence of this report. However members are reminded that the formal budget consultation period is from 15<sup>th</sup> January 2014 to 26<sup>th</sup> February 2014 when the Council sets its Council Tax for 2014/15. Comments from the consultation process will be reported to the Executive for consideration at it's meeting on 12<sup>th</sup> February 2013.

## **9 POLICY IMPLICATIONS**

- 9.1 None as a direct consequence of this report.

## **10 USE OF RESOURCES**

- 10.1 As outlined in the report.

## **11. RECOMMENDATIONS**

That the Executive;

- a. Note the savings the Council has achieved from the fleet procurement;
- b. Note the Council's Medium Term Financial Strategy and associated guiding principles;
- c. That the annual uplifts to applicable amounts, premiums, discount and disregards (as outlined in Table 7) are approved.
- d. Notes the summary budget timetable for 2014/15 (as outlined in Appendix B)