

## BOROUGH OF KETTERING

<b>Committee</b>	MONITORING & AUDIT	Item A2	Page 1 of 7
<b>Report Originator</b>	Acting Head of Finance Mark Dickenson	<i>Forward Plan Ref</i>	
<b>Wards Affected</b>	All	28 <sup>th</sup> January 2014	
	BUDGET PROPOSALS FOR 2014/15 AND PREPARING FOR THE MEDIUM TERM		

### 1. PURPOSE OF THE REPORT

- 1.1 In accordance with the Council Constitution, this Committee should consider the Council's draft budget proposals and submit any comments back to the Executive for consideration at its meeting on 12<sup>th</sup> February 2014.
- 1.2 Members are requested to perform the scrutiny role on the draft budget proposals and submit any relevant comments back to the Executive for further consideration.
- 1.3 When considering the draft budget, members will need to ensure that they have a general understanding of the main budget drivers, the services that comprise the budget, and the process that has been followed when putting the budget together. A short presentation will be given at the start of this item to ensure that the key issues are highlighted to members.
- 1.4 In accordance with the overall remit of this Committee, members are encouraged to focus their attention on the 2014/15 budget figures in the light of any potential impacts on the delivery of Council Priorities.
- 1.5 A copy of the Executive budget report from its meeting of 15<sup>th</sup> January 2014 has already been circulated to all Members. **Members are requested to bring copies of the Executive report with them to this meeting.** Additional copies can be obtained from Member Services or accessed via the Council Website.

### 2. KEY ISSUES

- 2.1 As outlined in the previous section, members will need to read the draft budget report (and supporting appendices) that has been circulated under separate cover. Given the amount of detail in that report, the key issues summary from that report is reproduced in the following paragraphs for ease of reference, together with the latest Medium Term Financial Forecast.

**BOROUGH OF KETTERING**

<b>Committee</b>	MONITORING & AUDIT	Item A2	Page 2 of 7
------------------	--------------------	------------	----------------

<b>MEDIUM TERM FINANCIAL FORECAST</b>							
		<b>Zone of "Predictability"</b>		<b>Zone of "Unpredictability" A</b>	<b>Zone of "Unpredictability" B</b>		
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
		<b>Forecast £000</b>	<b>Forecast £000</b>	<b>Forecast £000</b>	<b>Forecast £000</b>	<b>Forecast £000</b>	<b>Forecast £000</b>
<b>1</b>	<b>Net Council Budget</b>	<b>12,174</b>	<b>11,920</b>	<b>11,321</b>	<b>10,787</b>	<b>10,224</b>	<b>9,900</b>
<b>2</b>	<b>Forecast Resources:</b>						
	<b>Government Grant:</b>						
<b>2a</b>	RSG	(3,034)	(2,367)	(1,660)	(1,200)	(777)	(387)
<b>2b</b>	Business Rates	(2,205)	(2,137)	(2,263)	(2,331)	(2,401)	(2,473)
	<b>Total Government Grant</b>	<b>(5,239)</b>	<b>(4,504)</b>	<b>(3,923)</b>	<b>(3,531)</b>	<b>(3,178)</b>	<b>(2,860)</b>
	Council Tax / Coll'n Fund	(50)	(50)	(25)	(25)	(25)	(25)
	Income From Council Tax	(5,778)	(5,879)	(5,909)	(5,938)	(5,967)	(5,997)
	<b>Total Resources</b>	<b>(11,067)</b>	<b>(10,433)</b>	<b>(9,857)</b>	<b>(9,494)</b>	<b>(9,170)</b>	<b>(8,882)</b>
<b>3</b>	<b>Budget (Surplus) / Deficit</b>	<b>1,107</b>	<b>1,487</b>	<b>1,464</b>	<b>1,293</b>	<b>1,054</b>	<b>1,018</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>(1,329)</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>0</b>	<b>(1,464)</b>	<b>(1,293)</b>	<b>(1,054)</b>	<b>(1,018)</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>

<b>GENERAL FUND WORKING BALANCE</b>							
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<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>

## BOROUGH OF KETTERING

<b>Committee</b>	MONITORING & AUDIT	Item A2	Page 3 of 7
------------------	--------------------	------------	----------------

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

The following assumptions have been made about future levels of government grant:

2014/15	(14.1%)
2015/16	(15.8%)
2016/17	(10.0%)
2017/18	(10.0%)
2018/19	(10.0%)

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.

## BOROUGH OF KETTERING

<b>Committee</b>	MONITORING & AUDIT	Item A2	Page 4 of 7
------------------	--------------------	------------	----------------

### 3.0 **SUMMARY & CONCLUSIONS**

#### **2013/14**

- 3.1 The Council has continued to use its own specific 'budget delivery framework' for the consideration and subsequent delivery of the £949,000 of savings required for the General Fund for 2013/14.
- 3.2 Once the budget was approved in February 2013, the challenge was to turn the 'paper based savings exercise' into reality so that the £949,000 of savings were actually delivered.
- 3.3 From the information contained in the budget report (and previously reported to the Executive Committee through a series of Durable Budget Reports) it can be seen that the original savings target of £949,000 is being delivered successfully.
- 3.4 In addition to the original target, the Council is currently projecting a further £500,000 under-spend during 2013/14, these are a combination of some early delivery of the on-going savings required to balance the budget in 2014/15 (c£150,000) and a number of one-off items (c£350,000). As previously approved by the Executive, this underspend will be put into earmarked reserves to help the Council protect itself from the many service and budget pressures that exist.

#### **2014/15**

- 3.5 **The changes to the national landscape continues to bring greater uncertainty and volatility to future projections.**
- 3.6 The Council needs to continue its **excellent track record of delivering budget savings** to balance the budget for 2014/15.
- 3.7 Prior to the consideration of any council tax increase, it is estimated that **£1,329,000 of savings will be required**. We will start 2014/15 in a similar position to 2013/14 because of the continued use of the Council's successful budget delivery framework which has resulted in the Council already having secured some of the on-going savings required for 2014/15. The remaining savings have also been identified and the Council is confident that these will be delivered during 2014/15.
- 3.8 The Council's strong and controlled budgetary position is a direct result of the adherence to the guiding principles that have been diligently followed over recent years. The challenges faced for 2014/15 mean that it is even more important that the guiding principles are followed if the council is to remain in a relatively good financial position.
- 3.9 **A capital programme of around £5.5m** is not inconsiderable for a District Council of Kettering's size and no doubt a welcome boost to the local economy.

## BOROUGH OF KETTERING

<b>Committee</b>	MONITORING & AUDIT	Item A2	Page 5 of 7
------------------	--------------------	------------	----------------

- 3.10 The Council uses the budget “**swingometer**” as detailed at Appendix A – Section 1 to highlight and assess the sensitivity of the most volatile and material budgets. The “swingometer” shows some significant swings reflecting the economic climate. It must be stressed however that the Council has an excellent track record of spending at or around budget, even when faced with significant in year pressures, and a strong balance sheet with a level of reserves sufficient to cover the risks outlined in the “swingometer”.

### **The Medium Term - 2015/16 and Beyond**

- 3.11 Assumptions have been made for future levels of government grant (and other funding changes) and **a decrease of 15.8% has been applied for 2015/16** following the provisional settlement and **further annual decreases in overall funding of 10% for 2016/17 and beyond**. This will need to be reviewed when more information becomes available.
- 3.12 The current economic times are unprecedented. Therefore the delivery of the budget is dependent upon successfully tracking the other budget assumptions that have been made (eg, inflation and interest rates) and it must be recognised that any major changes in such variables can have a significant impact on the Council’s budget figures and resultant levels of required savings.
- 3.13 The Council’s strong and controlled budgetary position is a direct result of the adherence to the guiding principles that have been diligently followed over recent years. The challenges faced in the medium term mean that it is even more important that the guiding principles are followed if the council is to remain in a relatively good financial position.
- 3.14 Based upon the assumptions applied, the future years’ budgets would require ongoing year on year savings of:

<b>2015/16</b>	<b>£1,464,000</b>
<b>2016/17</b>	<b>£1,293,000</b>
<b>2017/18</b>	<b>£1,054,000</b>
<b>2018/19</b>	<b>£1,018,000</b>

- 3.15 **The system for government funding which was introduced in April 2013 effectively transfers significant risks from central to local government.** Such risks include;

- **Business Rate Volatility**

Future changes in business rates yield will have a direct impact on a significant proportion of the grant received by the council in the future. The Council has most of the risk of any downward movement whilst it can retain a small element of any increased yield. This element of risk continues to be monitored very closely.

## BOROUGH OF KETTERING

<b>Committee</b>	MONITORING & AUDIT	Item A2	Page 6 of 7
------------------	--------------------	------------	----------------

Business rate appeals will also impact on the councils future funding. **The Government have announced that there will be a consultation on reforms to business rate appeals with a commitment to clear 95% of the September 2013 backlog of appeals before July 2015. This is an area that will need to be closely monitored.**

- **Council Tax Support Volatility**

As widely expected and as reported to the Executive as part of the 2013/14 budget process **future levels of council tax support funding will be reduced in line with the reductions in central government core grant.** It is also likely that **the council will have to bear the cost of increased caseload** over the medium term – given the current economic outlook this continues to be a real and present risk.

### **Other Considerations**

- 3.16 The projections in all years rest on the Executive's adherence to the "*Guiding Principles*" the "*Modelling for Recovery Principles*" and the Budget Containment Strategies (para 3.6).
- 3.17 Depending on the decisions taken in relation to Council Tax, year on year savings of these magnitudes have and will continue to take capacity out of the organisation. The priority has been front line delivery and accordingly members may notice a reduction in some areas of internal delivery, as well as our **capacity to influence longer term strategic issues.**
- 3.18 Many of the changes to be implemented are untested and it is inevitable some transition turbulence may be experienced even with the focus on protecting front line service delivery.
- 3.19 **All the council's partners, elected councillors and staff should feel proud of reaching this point. However we must maintain this extraordinary effort if we are to continue to achieve our ambitious objectives.**

### **4. CONSULTATION AND CUSTOMER IMPACT**

- 4.1 The formal budget consultation period is from 15<sup>th</sup> January 2014 to 26<sup>th</sup> February 2014 when the Council sets the Council Tax for 2014/15. Comments from this Committee will be reported to the Executive for consideration at it's meeting on 12<sup>th</sup> February 2014.

### **5. POLICY IMPLICATIONS**

- 5.1 There are no direct policy implications as a result of this report.

## BOROUGH OF KETTERING

<b>Committee</b>	MONITORING & AUDIT	Item A2	Page 7 of 7
------------------	--------------------	------------	----------------

### **6 FINANCIAL RESOURCE IMPLICATIONS**

6.1 The implications on the Council's resources are considered throughout this report.

### **7. HUMAN RESOURCE IMPLICATIONS**

7.1 None as a result of this report.

### **8. LEGAL IMPLICATIONS**

8.1 None as a result of this report.

### **9. RECOMMENDATION**

9.1 That the Committee consider the draft budget proposals of the Executive and submit any comments back to the Executive for consideration at the Executive meeting of 12<sup>th</sup> February 2014.