

BOROUGH OF KETTERING

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Report Originator	Acting Head of Finance Mark Dickenson	<i>Forward Plan Ref</i>	
Wards Affected	All	3 rd February 2014	
	BUDGET PROPOSALS FOR 2014/15 AND PREPARING FOR THE MEDIUM TERM – INFORMATION REPORT		

1. **PURPOSE**

- 1.1 Kettering Borough Council's draft budgets for 2014/15 were considered by the Executive Committee at its meeting of 15th January 2014. The Executive endorsed the draft budgets for consultation and the formal consultation period running from 15th January 2014 to the 26th February (when the budget is formally considered by full Council).
- 1.2 As part of the consultation process – comments are sought from the three geographical forums, primarily through the Council's budget consultation meeting which was held on 23rd January 2014.
- 1.3 A copy of the Executive budget report and appendices from its meeting of 15th January 2014 can be obtained from Member Services or accessed via the Council Website using the following links

http://www.kettering.gov.uk/meetings/meeting/1228/executive_committee

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;

SUMMARY & CONCLUSIONS

2013/14

- 2.2 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.
- 2.3 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.

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- 2.4 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.
- 2.5 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

- 2.6 **The changes to the national landscape continues to bring greater uncertainty and volatility to future projections.**
- 2.7 The Council needs to continue its **excellent track record of delivering budget savings** to balance the budget for 2014/15.
- 2.8 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.
- 2.9 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.
- 2.10 **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.
- 2.11 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".

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The Medium Term

2015/16 and Beyond

- 2.12 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.
- 2.13 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.
- 2.14 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.
- 2.15 Based upon the assumptions applied, the future years' budgets would require ongoing year on year savings of:

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

- 2.16 **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.

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.**

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- 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

- 2.17 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).
- 2.18 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.**
- 2.19 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.
- 2.20 **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.**

Background Papers:

Title of Document:
Contact Officer: Mark Dickenson (ext 4303)

Previous Reports/Minutes:

Monthly Durable Budget Reports
Budget Consultation (Jan 14)
Monitoring and Audit (Jan 14)
Research and Development (Jan 14)