

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Strategic Management Team	Fwd Plan Ref A13/039	
<b>Wards Affected</b>	All	12th February 2014	
<b>Title</b>	BUDGET PROPOSALS FOR 2014/15 AND PREPARING FOR THE MEDIUM TERM		

**Portfolio Holder – Cllr I Jelley**

### **1. PURPOSE OF REPORT**

The purpose of this report is to report back comments that have been submitted during the budget consultation period (to date) to enable the Executive to: -

- a) Reconsider the main budget issues and drivers and consider their impact on the medium term;
- b) Consider whether any changes to the medium term strategy for car parking charges should be made when considering town centre initiatives;
- c) Make budget recommendations to full Council for consideration on Wednesday 26 February 2014 in relation to General Fund, Capital Programme and HRA – in particular the level of council tax to be charged for 2014/15. When doing so, members have a statutory duty to consider the medium term projections, issues and any associated risks.
- d) Formally approve the level of council house rents that will be charged for 2014/15.

### **2. BACKGROUND**

- 2.1. The Executive considered a comprehensive report on its initial budget proposals at its meeting of 15<sup>th</sup> January 2014. The report considered the draft proposals for the General Fund, Capital Programme, and Housing Revenue Account. Members are recommended to refer back to that report for important detailed background to this budget report – although the key budget issues are again referred to in this report, the detail of the budget is not.
- 2.2. The Council's formal budget consultation period has been running since 15<sup>th</sup> January 2014 and will end on the 26<sup>th</sup> February 2014 (when the Council formally sets the budgets). The draft budget proposals have been discussed at a number of meetings including the formal Budget Consultation event on 23<sup>rd</sup> January 2014.

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- 2.3. Without repeating all of the detail previously reported in the January report, the 'key issues' section of that report is reproduced at Appendix A for context and ease of reference; -
- 2.4. Members will appreciate that the strategies the Council has adopted over the past few years has resulted in the authority being in a much better shape than many others. In Kettering, our approach ensured that the Council was able to pro-actively deal with the challenges faced through: -
- ◆ Having high level strategic financial capability (in addition to the council's operational resources);
  - ◆ Anticipating and influencing major 'Big Ticket' items;
  - ◆ Having a well motivated and flexible workforce that is pro-actively delivering change.
- 2.5. These have allowed us to develop and deliver the strategies necessary to deal with changing financial circumstances including such things as
- ◆ establishing (and sticking to) budget guiding principles;
  - ◆ developing a budget delivery solution that suited KBC;
  - ◆ finding innovative methods of service delivery.
- 2.6. 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 Councils 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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### 3. BUDGET CONSULTATION - COMMENTS

- 3.1 The budget consultation period runs until the 26 February 2014 (when full council sets the budgets)
- 3.2 Comments that have been made through the main consultation meetings are summarised in the Appendix B, as detailed below;

Appendix B	Comments From
1	Statutory Budget Consultation Meeting
2	Monitoring and Audit Committee
3	Research and Development Committee
4	Geographical Forums (to be circulated separately)
5	Tenants Forum (to be circulated separately)

### 4. FINAL GRANT SETTLEMENT 2014/15

- 4.1 At £4.504m, the settlement was in line with what the government had previously indicated and that the Council has been modelling and enables the Council to have a balanced draft budget for 2014/15. The amount is still to be formally confirmed and confirmation is expected shortly a verbal update will be provided at the meeting. This represents a cash reduction in grant of £735,000 (14.1%) from 2013/14.
- 4.2 The Council had prior to the provisional grant settlement been modelling a grant reduction of 14.3% for 2015/16 this was based on the indicative figures announced by the Government in the summer. The provisional settlement for 2015/16 indicates that the reduction is likely to be around 15.8% the Medium Term Financial Strategy (Table 2) was updated in January to reflect this.
- 4.3 Table 1 illustrates the levels of grant reductions that have taken place. This shows a cash reduction in government funding of around 50% (£3.435m) over the five year period (2011/12 – 2015/16) which is closer to a real terms reduction of 65%.

Year	Reduction in Central Government Core Grant		Status
	%	£	
2011/12	-15.2%	-£958,000	Actual
2012/13	-12.8%	-£700,000	Actual
2013/14	-6.3%	-£303,000	Actual
2014/15	-14.1%	-£735,000	Provisional
2015/16	-15.8%	-£739,000	Indicative

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### 5. UPDATE OF KEY ISSUES AND BUDGET PROJECTIONS

5.1 The budget figures have continued to be resilience tested during the budget period and have remained the same as those presented in the January report. The budget model (prior to the consideration of any change in council tax) is reproduced in Table 2. The forecast comprises the following 'Zones'

- ♦ **Zone of Predictability** (2013/14 and 2014/15) – The provisional level of government funding for 2014/15 was announced in summer 2013 and further announcements were made in December 2013 as part of the provisional grant settlement, 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 indicative figures for 2015/16 were announced in December 2013 along with the 2014/15 provisional grant settlement.
- ♦ **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 2 - 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>	12,174	11,920	11,321	10,787	10,224	9,900
<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>

**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 increases. The

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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.

5.2 Based upon the figures in the model it can be seen that the following levels of savings maybe required over the new few years (prior to the consideration of any increase in council tax);

<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>

5.3 As previously outlined in the report, the figures are predicated on a number of budget assumptions that will require careful monitoring as we move forward. They are also dependent upon the Council sticking to the budget guiding principles and associated rules that were previously outlined in Section 2. In doing so, it is recognised that it will become increasingly difficult for the Council to do everything it wishes when trying to resolve issues and problems if it is to live within a financial strategy that continues to pursue the Council's three core objectives of:

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- ◆ A better offer for our town centres
- ◆ A better education and training offer
- ◆ A better employment offer – high grade, higher density jobs

Whilst at the same time deal with the challenging (and changing) financial landscape. The challenge is amplified even further by reference to the Executive Committee's stated desire to follow a 'triple zero' approach

- ◆ Zero increase in Council Tax
- ◆ Zero cuts to front line services
- ◆ Zero cuts to the voluntary sector funding envelope.

- 5.4 The first of the Executive Committees 'triple zero' points is a primary objective the other two are desirables.
- 5.5 Members should be aware that the indicative savings levels for the period 2015/16 onwards are subject to a number of high level assumptions. One of these is about the potential level of government grant. CLG in the 2014/15 provisional settlement provided indicative figures for 2015/16 which shows the grant reducing in 2015/16 by 15.8%. For the purpose of modelling the 2015/16 grant assumes a 15.8% reduction.
- 5.6 For the purpose of modelling from 2016/17 we have assumed an overall annual cash reduction of 10% each year for 2016/17 up to and including 2018/19 It is thought likely that overall the figures we are modelling on, may be in the right area, however, the split between years may be different.
- 5.7 Line 6 is the sum that is required to achieve a balanced budget. Every 1% increase in council tax equates to around £58,000. Formal decisions on each year's council tax increases can only be taken by Council at the February budget setting meeting after the consideration of a report from its officers. Council Tax is covered in this report at Section 7.



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### 6. TOWN CENTRES

6.1 In Section 6 of the January budget report, a summary of Kettering town centre's relative economic performance was provided together with an update on a number of projects – these included;

- National figures that now show that Kettering Town Centre's empty shops ratio is now 7% better than the national average;
- The successful letting of the second restaurant unit on the market place;
- The 2014/15 draft Capital Programme provides a budget of £250,000 to progress the next phase of the Public Realm works to the town centre. This will facilitate the proper introduction of a controlled pedestrianised area through the installation of bollards at key entry points;
- The 'Big Screen' became fully operational during 2013 – the revenue budget for 2014/15 has been supplemented so that the screen can be rolled out for more events during 2014.

6.2 The January budget report also included some commentary (and feedback) on the Council's medium term strategy for its car parking charges, the 'guiding principles' that are used when setting such charges, and the recent pilot initiatives that have taken place.

6.3 Members of the Executive Committee have commented during the budget consultation period that they would like to consider options that may continue to assist to stimulate the town centre – and that these could be a combination of on-going and one-off budget items.

6.4 The January budget report included the following comments;

*'Should members want to consider any additional pilots / promotions / incentives to help stimulate the town centre – to adhere to the budget guiding principles it may be worth considering establishing a one-off budget from which a programme of new pilot schemes could operate so that their effectiveness could be assessed'.*

*'At the November Executive Committee meeting, it was agreed that year 3 of the medium term strategy for car park charges should not be implemented in January 2014. Accordingly, the draft 2014/15 revenue budget is currently based upon a continuation of the current years charges (being the current policy position)'.*

6.5 In relation to car parking charges, members of the Executive Committee have requested that the following two options be illustrated (and costed) for consideration as part of this committee report;


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### Illustration 1

The medium term strategy for car parking charges is effectively ‘rolled-back’ to the charges that were being used in 2011/12 – effectively the final year of the previous four year strategy (as detailed below);

<b>Medium Term Strategy for Car Parking</b>						
	<i>Previous</i>		<i>Current</i>			
	<b>Year 4 (2011/12)</b>		Year 1 (2012/13)	<b>Year 2 (2013/14)</b>	Year 3 (2014/15)	Year 4 (2015/16)
1 hour	<b>£1</b>		£1.10	<b>£1.15</b>	£1.25	£1.25
2 hours	<b>£2</b>		£2.20	<b>£2.30</b>	£2.30	£2.50
3 hours	<b>£3</b>		£3.40	<b>£3.40</b>	£3.60	£3.75
All day	<b>£6</b>		£6.00	<b>£6.50</b>	£7.00	£7.50

  
*‘roll-back’*

*\* please note – pop and shop would remain at its current discounted level of 40p*

- 6.6 It is estimated that this would cost £80,000 per year (on-going) in relation to ‘income foregone’ when compared to the draft budget figures currently being shown for 2014/15 in the medium term financial forecast.
- 6.7 If members were minded to make the above change to the current medium term car parking strategy, in the absence of any identified savings to balance the budget at this late stage of the budget process, the only feasible way to fund this would be to increase the ‘budget framework’ savings requirement from £1.329m for 2014/15 up to £1.409m.
- 6.8 This would effectively result in £80,000 (or £100,000 – see below) of the amended savings target being unidentified, a practice that we have purposefully not used in past years (such a practice not being considered appropriate when setting the annual revenue budget). The Council would need to use its best endeavours to bring forward at least £80,000 (or £100,000) of the framework savings that are currently required for the following year (2015/16) to facilitate this. At a level of up to £80,000,(or £100,000) if members consider this a priority issue then the risk involved in using this strategy is probably manageable in this instance, but best avoided in the future.

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### Illustration 2

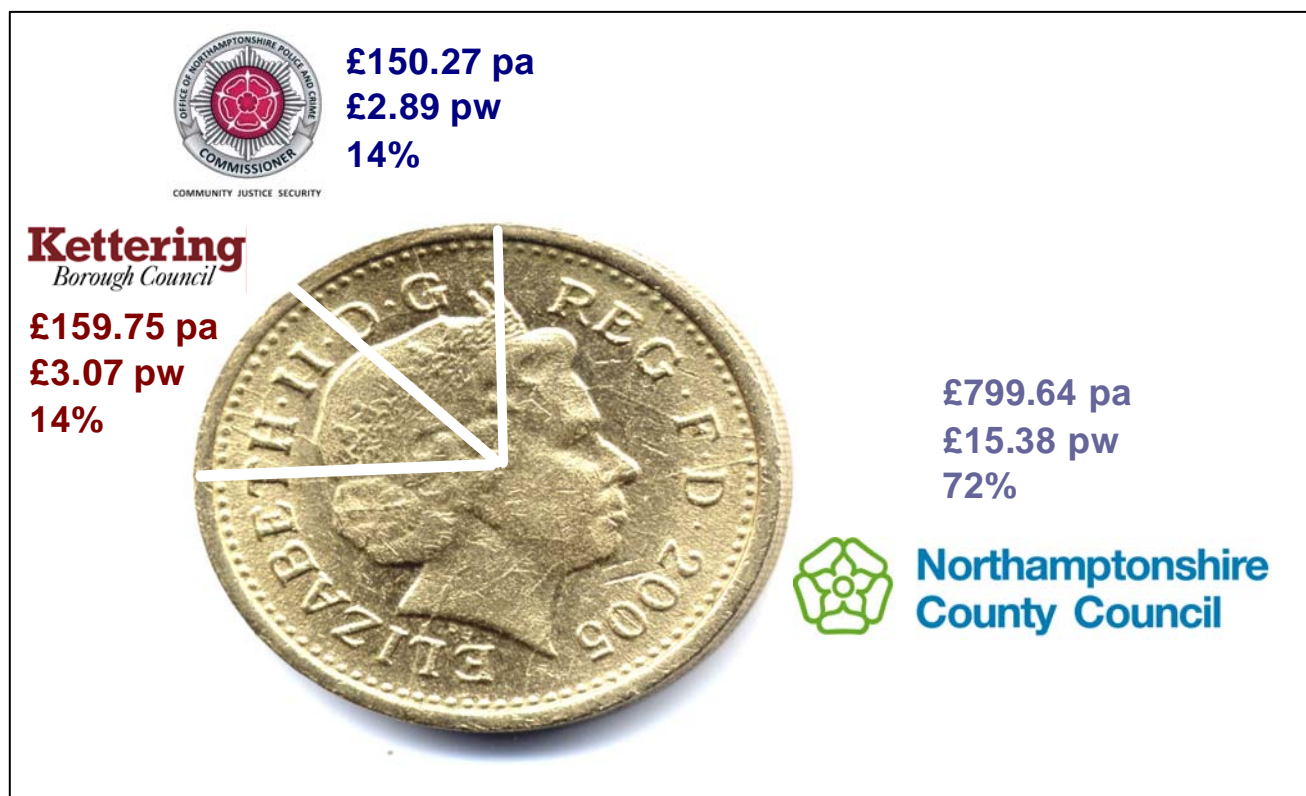
- 6.9 This would do exactly the same as the above illustration, the only difference being that the current trial rates that are being used at London Road Car Park (£1.50 for 2 hours), and the Municipal Offices Car Park (£1.50 for 2 hours on Saturdays) would continue.
- 6.10 It is estimated that this would cost £100,000 (on-going) per year in relation to 'income foregone' when compared to the draft budget figures currently being shown for 2014/15 (and subsequent years). This is the total figure including the costs shown in illustration 1.
- 6.11 During the budget consultation process, members of the Executive Committee have also indicated that they would like to consider establishing a one-off budget for 2014/15 that could be used for a variety of things in the town centre in the form of further 'pilot' schemes.
- 6.12 Members have indicated that such a budget could be used for one-off parking incentives (such as the periods of free parking that were piloted during 2013/14) and/or other town centre event related items. Such a budget would need to be revenue in nature but given that it would be funding 'pilot schemes' that will be the subject of future evaluation it is reasonable that a modest sum (say, £40,000) could be funded from the general fund working balance rather than forming part of the base budget. If members are minded to proceed with this, an early indication of where this will be spent would be appreciated so that the forward planning for things like statutory car parking notices can be done in the most efficient and cost effective way.

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### 7. COUNCIL TAX SETTING

7.1 The following illustration was used at the recent budget consultation meeting and serves to remind members of the relative size of the council tax figures that are under consideration



7.2 At this meeting of the Executive Committee, members are required to recommend a level of council tax for 2014/15 to full Council for consideration.

7.3 When doing so, members must have regard to: -

- a. The medium term financial projections for the council's General Fund budget (statutory requirement)
- b. The advice of its officers
- c. The financial (and business) risks that face the authority in the medium term.

7.4 Members are reminded that the financial projections shown in Table 2, are presented on the basis of the current level of council tax – no assumptions or allowance has been made in the figures at this point, for any change in council tax levels. As such, the figures show a 'base position', prior to member consideration of the level of council tax for 2014/15.

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7.5 Based upon the figures in the budget model (Table 2), the following levels of budget savings will be required to balance the budget in the medium term: -

<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>

7.6 The Council's impressive record in identifying and delivering efficiency savings in the past five years, including the year under consideration (2014/15), are around £6.8m - as illustrated in Table 3;

<b>Table 3 – Efficiency Savings</b>	<b>£000</b>
2010/11	1,260
2011/12	1,910
2012/13	1,330
2013/14	950
<b>Total</b>	<b>5,450</b>
2014/15	1,330
<b>Total</b>	<b>6,780</b>
<b>% Cash Savings (Net Budget)</b>	<b>66%</b>

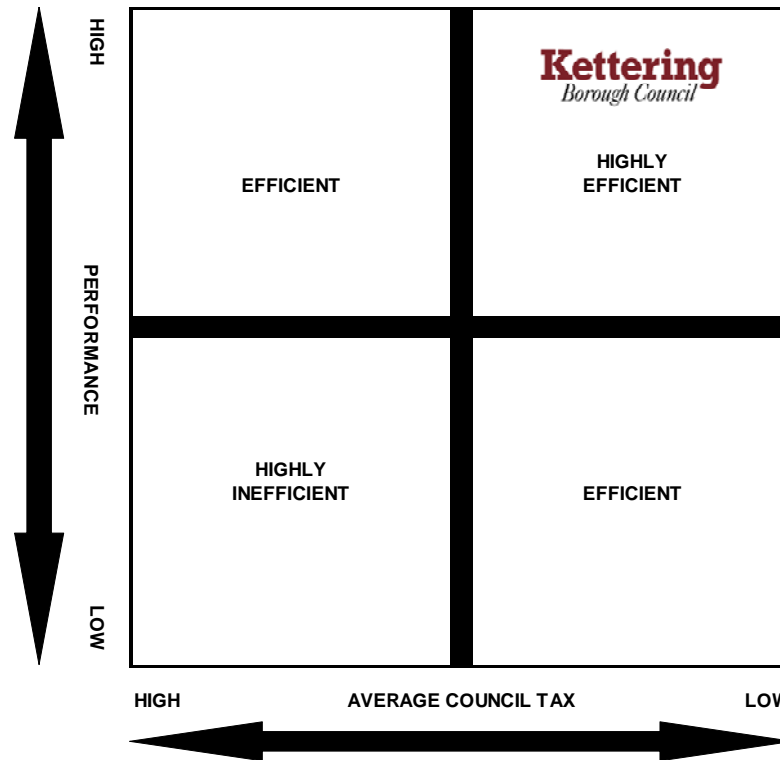
7.7 The scale and delivery of this level of **efficiency savings is particularly impressive given that there has been no detrimental impact on the delivery of front line services** and when considering the increased costs of utilities and inflation levels. Over the five year period (as detailed in Table 3) the efficiency savings will be equivalent to approximately **66% (85% in real terms)** of the Council's draft net budget (which stands at £10.3m for 2014/15).

7.8 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 £6.780m in the past five years, the Council's level of council tax charged remains below the national average and performance remains above average.

7.9 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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- 7.10 Given this context, to maintain the Council's position as high performing whilst being a low cost local authority has been a significant achievement and has not happened by accident and is a direct consequence of looking at 'added value' rather than inputs in isolation.
- 7.11 Members are reminded that each 1% increase in council tax equates to about £58,000 of ongoing income to the council's council tax yield.
- 7.12 Table 4 was included as part of the January Executive report and summarises the real terms impact of Council Tax freezes. If the current rate of inflation is used as a reference point, in effect local residents have experienced a real terms reduction in their local council tax for Kettering Borough Council during the year as a result of the Council decision to have a 0% increase from 2011/12. If the Council were to levy a similar level of increase into the medium term, further real terms reductions would be experienced by council tax payers at the same time as the Council having to deal with its own inflationary pressures (eg, utility bills) and deliver significant levels of ongoing efficiency savings.

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<b>Table 4</b>	<b>Actual / Estimated Inflation Rate</b>	<b>Council Tax Increase</b>	<b>Cumulative Real Terms Reduction</b>
2011/12	4.80%	0.00%	4.80%
2012/13	2.70%	0.00%	7.50%
2013/14	3.00%	0.00%	10.50%
2014/15	3.00%	0.00%	13.50%

- 7.13 As previously reported to the Executive part of the Local Government Spending Review 2015/16 that was announced on 26<sup>th</sup> June 2013 included an announcement on referendum limits of 2% in both 2014/15 and 2015/16. Following the provisional grant settlement in December the Government has stated that the council tax referendum threshold principles will be announced separately in 2014 no announcement has yet been made and indications are this will be announced on 12 February. A verbal update regarding the announcement will be provided at the meeting.
- 7.14 The Government has confirmed that Councils who freeze Council Tax in 2014/15 will receive an additional fixed cash grant for a two year period equivalent to a 1% increase in Council Tax. After two years the grant is withdrawn. If the Council decides to freeze Council Tax in 2014/15 it will receive an additional cash grant of £65,000 in both 2014/15 and 2015/16.
- 7.15 This grant has not been included in the medium term financial projections illustrated in Table 2. This is because the Executive Committee is yet to make a formal Council Tax recommendation. If the Executive Committee recommends a Council Tax freeze to full Council for consideration, an adjustment will be shown on the General Fund Working Balance section of the Medium Term Financial Forecast.
- 7.16 Although through this budget process members will only be setting a level of council tax for 2014/15, this should be done by reference to the medium term and the risks faced.

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### 8. DRAFT CAPITAL PROGRAMME (2014/15 – 2018/19)

8.1 The draft Capital Programme was reported to the Executive as part of the initial budget proposals in January and has since been the subject of consultation and further review. The programme is summarised in Table 5.

<b>Table 5 - Capital Programme</b>	<b>Indicative Estimate 2014/15</b>	<b>Indicative Estimate 2015/16</b>	<b>Indicative Estimate 2016/17</b>	<b>Indicative Estimate 2017/18</b>	<b>Indicative Estimate 2018/19</b>
	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
HRA Schemes	3,624	2,928	2,928	2,928	2,928
General Fund Schemes	1,890	947	947	882	882
	5,514	3,875	3,875	3,810	3,810
<b>Financing</b>					
Government Grants	3,424	3,208	3,208	3,143	3,143
Borrowing	1,859	527	527	527	527
Revenue Contribution	40	40	40	40	40
Capital Receipts	191	100	100	100	100
	5,514	3,875	3,875	3,810	3,810

8.2 There are no changes to the draft capital programme reported to the January Executive.

8.3 The financing estimate for external borrowing for 2014/15 is £1.859m. The revenue impact of borrowing in 2014/15 is included in the revenue budgets.

8.4 A capital programme of in excess of £5.5m is a significant programme for a District Council and is a welcome boost to the local economy. To put this into context, although the capital programme is not funded from Council Tax receipts, the level of the programme is around the amount of income we receive in Council Tax each year.

8.5 Any further comments that have been made during the consultation period (to date) are provided at Appendix B. The Executive are required to note the comments made and consider whether they wish to take any action on any specific issues raised.



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### **9. DRAFT HOUSING REVENUE ACCOUNT (2014/15)**

- 9.1 In accordance with the Council's Constitution, although the Executive will be recommending the HRA budget for 2014/15 to full Council for approval, this meeting of the Executive will formally approve the level of Council housing rents for 2014/15.
- 9.2 The draft budget included an average rent increase of 5.10% equivalent to £3.87 per week (4.75% in 2013/14).
- 9.3 The preferred rental increase for 2014/15 will be discussed at the Tenants Forum when it meets on the 6<sup>th</sup> February 2014. The preferred level of rent increase and comments made by the Tenants Forum will be reported to members of the Executive before this meeting.

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### 10. STATUTORY OFFICERS COMMENTS

10.1 To comply with best practice, the Council's Statutory Officers have a responsibility to provide a commentary on the budget (and the underlying assumptions) in the report that is considered by full Council on 26 February 2014.

10.2 In light of the unprecedented changes that took place from April 2013, it is appropriate to include a number of high level comments in this report prior to members of the Executive making budget and council tax recommendations to Council.

10.3 The system for government funding which was introduced in April 2013 effectively transferred significant risk from central to local government. Such risks include:

- **Business Rate Volatility**

The arrangements for local government funding changed significantly from April 2013 prior to this date all Business Rates income was pooled and distributed by central government. Any volatility in Business Rates was not directly borne by the individual authority responsible for collecting the rates.

From April 2013 the Council funding is based on a government assessment of the expected level of Business Rates to be collected by each local authority. A change arising from non payment, successful appeals and reductions in rateable values has from 2013/14 become an ongoing risk to the Council. 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.**

- **Council Tax Benefits 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 from 2014/15.** The government grant for 2014/15 reduced by 14.1% resulting in the grant for Council Tax support reducing from £759,000 in 2013/14 to £652,000 in 2014/15 a reduction of £107,000. At the same time there are pressures from an increase in Council Tax Support resulting in a reduction in funding but an increase in demand.

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- 10.4 Members of the Executive have taken the prudent policy decision to increase the Council's smoothing reserves during 2013/14, with any savings in excess of the original savings target of £949,000. This should help provide some flexibility which is welcomed. It will not, however, provide any ongoing budget assistance – due to its short-term nature.
- 10.5 As outlined in the January budget report, the Council does not hold significant balances of cash reserves – this should be kept in mind when setting the revenue budget for 2014/15.
- 10.6 Should members feel minded to go forward with a 0% council tax increase for 2014/15, it should be done in the context of the challenges and uncertainty faced in the coming years. It is important that members are aware of the impact such a strategy would have on the 2015/16 savings target (and the savings target for future years) due to its compound nature, it is also important that there is a full understanding of the impact, savings of this magnitude will have on capacity. The information contained in paragraph 7.12 of this report is also of direct relevance to this point and illustrates that a freeze in Council Tax for a fourth year is equivalent to a real terms reduction of over 13%.
- 10.7 The provisional grant settlement for 2014/15 indicates that the reduction is likely to be around 14%. Table 6 shows a cash reduction in government funding of around 50% (£3.435m) over the five year period (2011/12 – 2015/16) which is closer to a real terms reduction of 65%.

<b>TABLE 6 – GRANT REDUCTIONS</b>			
<b>Year</b>	<b>Reduction in Central Government Core Grant</b>		<b>Status</b>
	<b>%</b>	<b>£</b>	
2011/12	-15.2%	-£958,000	Actual
2012/13	-12.8%	-£700,000	Actual
2013/14	-6.3%	-£303,000	Actual
2014/15	-14.1%	-£735,000	Provisional
2015/16	-15.8%	-£739,000	Indicative

- 10.8 It is important to note that, although members have a statutory duty to consider the medium term when setting the 2014/15 budget and council tax, they will only be setting the budget and council tax for 2014/15 at this point. Levels of council tax for future years cannot be set in advance by the council. Each future years' decision can only be taken at the appropriate time, once all of the financial and business risks have been analysed, understood and discussed.
- 10.9 Collectively, the council has done an impressive job of turning a 'paper based exercise' into reality in delivering the £949,000 of savings for 2013/14. This has not been an easy process but its successful delivery gives confidence that the additional savings required for 2014/15 can be delivered by using (and sticking to) the same policy framework and associated guiding principles. This will still require a focussed

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effort during 2014/15 and considerable focus to deliver. The assumptions that the budget are based upon will require careful monitoring and review as we move forward. Members are reminded of the comments included in section 6.8 in relation to the context and consideration of additional budget items.

10.10 Members should be aware that the indicative savings levels for the period 2016/17 onwards are subject to a number of high level assumptions. One of these is about the potential level of government grant. For the purpose of modelling we have assumed an overall annual cash reduction of 10% for 2016/17 up to and including 2018/19 It is thought likely that overall the figures we are modelling on, may be in the right area, however, the split between years may be different.

10.11 In coming to a decision about council tax for 2014/15, members will need to consider the careful balance that needs to be struck between providing sufficient financial flexibility to deal with the challenges faced (through maintaining a healthy council tax yield) and any desire to maintain Kettering Borough Council's council tax at a 'below national average' position.

### **11 DEBT WRITE-OFFS**

11.1 It is good practice at this time of the financial year to review and make appropriate accountancy treatments for any material debts that are unlikely to be recovered. At the current time, there is only one such debt that requires write-off, which is sundry debt reference 304641 for the sum of £68,795.55.

11.2 The debt write-off requires the approval of the Executive Committee because it is in excess of £20,000.

11.3 The Council has exhausted its recovery and legal procedures for the recovery of this debt due to the company being wound-up and having no assets to claim against. It is considered un-economic to continue recovery action at the current time and therefore from an accounting treatment the debt requires write-off. Members are advised however, that the account will remain under periodic review and should the situation change the recovery action will resume – writing a debt-off does not mean that the Council will not take action in the future.

### **12 CONSULTATION AND CUSTOMER IMPACT**

12.1 The formal budget consultation period is from 15<sup>th</sup> January 2014 (where the Executive received the draft budgets) to 26<sup>th</sup> February 2014 when the Council sets its Council Tax for 2014/15. Comments from this consultation process are attached at Appendix B.

### **13 POLICY IMPLICATIONS**

13.1 As outlined in the report.

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### 14 USE OF RESOURCES

14.1 As outlined in the report.

### 15. RECOMMENDATIONS

15.1 That the Executive: -

- a) Receives the comments received from the consultation process to date as detailed at Appendix B;
- b) Considers the comments made in section 6 of this report and determines;
  - i. whether it wishes to amend the medium term strategy for car parking charges, and if so, whether it wishes to implement illustration 1 or illustration 2 with effect from April 2014.
  - ii. Whether it wishes to introduce a one-off revenue budget for the sum of £40,000 for 2014/15 for further town centre initiatives and pilot schemes
- b) Approve that the average weekly council house rent be increased by 5.10% to £79.73 (on a 52 week year) for 2014/15 (effective from 1<sup>st</sup> April 2014).
- c) Approve the debt write off (as detailed in section 11).

15.2 That the Executive recommends to Council: -

- a) The Revised General Fund Budget (2013/14) and Draft General Fund Budget for (2014/15) – as detailed at Appendix A - Section 1\* (amended as appropriate in relation to recommendation 15.1 (b));
- b) A preferred level of Council Tax (Band D equivalent) for 2014/15 and associated Medium Term Financial Forecast (amended as appropriate in relation to recommendation 15.1 (b));
- c) The Capital Programme (2013 - 2019) – as detailed at Appendix A - Section 2\*;
- d) The Housing Revenue Account Estimates for 2014/15 – as detailed at Appendix A - Section 3\*.

*\* Please note that these references to Appendix A refer to the 'Draft Budget Booklet – 2014/15) that was circulated as Appendix A to the January Budget report to the Executive*

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Background Papers:

Title of Document: Estimate Working Papers

Contact Officers: M Dickenson

Previous Reports/Minutes:

Monthly Durable Budget Reports

Budget Consultation (Jan 14)

Research and Development (Jan 14)

Monitoring and Audit (Jan 14)

Geographic Forums (Feb 14)