

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Strategic Management Team	<i>Fwd Plan Ref No: A14/10</i>	
<b>Wards Affected</b>	All	10 <sup>th</sup> September 2014	
<b>Title</b>	<b>MAINTAINING A DURABLE BUDGET</b>		

**Portfolio Holder: Cllr Ian Jelley**

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

This report comprises two main parts, their purpose is:

#### Part A

- a. Provide Members with a further case study on the success the Council has had from lobbying and being one of the lead authorities / advisors at a National level;
- b. Remind Members of the Council's medium term financial strategy and associated guiding principles and the recently approved Prioritisation 'Golden Rules';
- c. Provide a revised medium term budget model illustrating the levels of savings that may be required over the coming years and highlight the significant financial challenges facing the Council.

#### Part B

- d. Remind members of the background to (and previous decisions in relation to) the operation of the current Council Tax Support scheme;
- e. Outline the estimated financial implications of the Council Tax Support Scheme (from next year);
- f. Outline the policy options that are available to the Council to ensure that the Council's medium term guiding principles are adhered to and seek endorsement of the options for consultation purposes.

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### PART A

#### **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 Training
- ◆ 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

2.2 The case study in this report highlights another example of the success the Council has achieved through lobbying at a national level.

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### **Business Rates Pooling**

In **Autumn 2012** the Council helped influence and shape a number of changes to the Business Rates Retention Scheme that would become operational in April 2013. This was as a result of the direct lobbying work that the Council undertook and also being one of the lead authorities / advisers at a National level.

One of the key changes officers influenced was moving to a two year average baseline (rather than a 5 year average baseline). The baseline is the point from which growth is measured. Whilst a two year average did not benefit all districts across the country, **two out of three** benefited from this change and **ALL Northamptonshire authorities benefited from this change.**

If we assume that a reset occurs in 2020 the change from a 5 year average to a 2 year average in establishing the business rates baseline **could see the Northamptonshire authorities receive around £20m (in cash) that they otherwise would not have received over a 7 year period.**

The following table summarises the estimated position for each of the Northamptonshire authorities.

<b>Authority</b>	<b>Annual Change £'000</b>	<b>Changes over 7 Years £'000</b>
Kettering	508	3,556
Northamptonshire County	834	5,838
Corby	215	1,505
Daventry	215	1,505
East Northamptonshire	217	1,519
Northampton Borough	468	3,276
Wellingborough	299	2,093
<b>Northants Pool</b>	<b>2,756</b>	<b>19,292</b>
South Northamptonshire	112	784
<b>Northants Total</b>	<b>2,868</b>	<b>20,076</b>

*The annual change is the direct ongoing impact that the change from a 5 to a 2 year average is likely to have. In reality, the councils will already be receiving this income stream but will also benefit from it from future growth that is generated. The financial challenges that all councils are facing would be even greater if we had not been successful in lobbying for the change in the calculation basis. The change over 7 years reflects the **cash** each authority could now receive following this change.*

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**3. BACKGROUND**

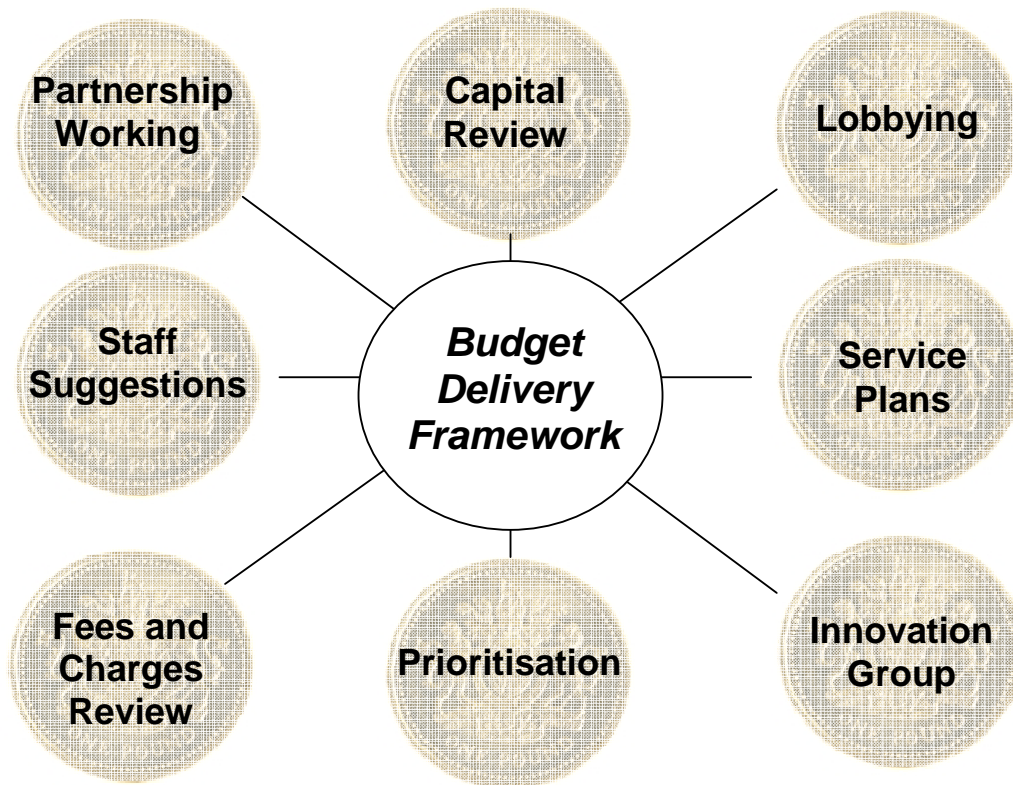
3.1 At the April Executive meeting Members approved that the budget delivery framework used in the four previous budget rounds be used for the preparation of the 2015/16 budgets. Specifically, members approved;

*“that the same methodology be applied to the formulation of the 2015/16 budget as it applied to the 2014/15 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;*
- 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*

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### **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.*
- 3.5 There are a variety of other pressures that the Council is facing now or is likely to face in the coming years in order to best manage these pressures the Executive at it's July meeting endorsed the following prioritisation 'golden rules'.

### **Prioritisation 'Golden Rules':**

1. *Revenue Impact – The item should have a positive **material and causal** impact on the Council's revenue budget over the medium term. The impact should be material in nature.*
2. *Fit with Key Priorities - There should be a direct and causal impact upon the achievement of the Council key priorities of;*
  - *Better Town Centres*
  - *Better Jobs*
  - *Better Educational Offer*
3. *Risk and Return Profile - The item / project should fit the Council's risk and return appetite and also complement the overall portfolio of investment / assets.*
4. *Investment Leverage - The item / project should ideally act as either an 'invest to save' type project or one that 'pump primes' other significant investment into the borough.*

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5. *Self Sufficiency - Given the continuing trend of reduction in central government grants, priority will be given to projects that assist in the Council moving further towards financial self sufficiency.*
  
6. *Strategic Partnerships - The item should generally have a positive impact on the Council's strategic partnerships and the Council's long term strategic ambitions for the borough – eg, town centre development. In particular – items that support and help develop 'scope' rather than 'scale' will be prioritised.*

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### 4 MEDIUM TERM FINANCIAL FORECAST

4.1 The Council's latest Medium Term Financial Forecast is shown in Table 1. The forecast has been updated to reflect the fact that we have effectively 'closed' the 2013/14 financial year, therefore the forecast comprises the following 'Zones'.

♦ **Zone of Predictability** – this year and next (2014/15 - 2015/16)

The level of government funding has previously been announced for this year (2014/15) and provisional levels of funding were announced for next year (2015/16). The two previously identified areas of volatility, namely Business Rates Retention Scheme and Council Tax Support remain important variables that we continue to monitor closely.

Although we have received indicative grant allocations for next year, it is important to note that these are only indicative and could be affected by the upcoming Autumn Statement (due on the 3<sup>rd</sup> December). It is not uncommon to see some changes in national policy resulting from the Autumn Statement, there may be a greater likelihood of this given that it is the final Autumn Statement of the current Government.

♦ **Zone of Unpredictability A** – Medium Term (2016/17 – 2019/20)

Reference to the budget deficit figures (Table 1) illustrates the significant challenge that the Council faces in the medium term. Whereas uncertainty will continue to exist about the future levels of government grant post the 2015 General Election, it is fair to say that it will be an extremely challenging time for the authority.

The overall scale of budget reduction is very significant. The Council has done an impressive job of delivering a balanced budget despite having no council tax increase, no cuts to front line services, and no reduction to overall funding for the voluntary sector since 2011/12. This has only been achievable by following the budget guiding principles and making sure that other income sources, such as fees and charges, are harvested in line with their previously agreed guiding principles – this will remain important moving forward.

The reality of the Council being able to deliver a balanced budget in this period is looking increasingly fragile – the Council will need to carefully consider its main sources of income (Council Tax, Fees and Charges) at the same time as starting to consider its priorities for services (and levels of services) if a balanced budget is to be achieved in the medium term. The commonly referred to 'triple zero' success of recent times will not be achievable in the medium term, indeed any one element of this will put additional pressure on existing levels of service and resources.



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Table 1		Zone of "Predictability"		Zone of "Unpredictability" A			
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		Actual £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
1	<b>Net Council Budget</b>	12,020	11,321	10,787	10,224	9,900	9,612
2	<b>Forecast Resources:</b>						
	<b>Government Grant:</b>						
2a	RSG	(2,367)	(1,660)	(1,200)	(777)	(387)	(27)
2b	Business Rates	(2,137)	(2,263)	(2,331)	(2,401)	(2,473)	(2,547)
	<b>Total Government Grant</b>	<b>(4,504)</b>	<b>(3,923)</b>	<b>(3,531)</b>	<b>(3,178)</b>	<b>(2,860)</b>	<b>(2,574)</b>
	Council Tax / Coll'n Fund	(50)	(25)	(25)	(25)	(25)	(25)
	Income From Council Tax	(5,879)	(5,909)	(5,938)	(5,967)	(5,997)	(6,028)
	<b>Total Resources</b>	<b>(10,433)</b>	<b>(9,857)</b>	<b>(9,494)</b>	<b>(9,170)</b>	<b>(8,882)</b>	<b>(8,627)</b>
3	<b>Budget (Surplus) / Deficit</b>	1,587	1,464	1,293	1,054	1,018	985
4a	<b>Council Tax Grant</b>	(158)	0	0	0	0	0
5	<b>Budget Frameworks</b>	(1,329)	(500)	0	0	0	0
6	<b>Savings - To be secured</b>	(100)	(964)	(1,293)	(1,054)	(1,018)	(985)
7	<b>Budget (Surplus) / Deficit</b>	0	0	0	0	0	0

GENERAL FUND WORKING BALANCE							
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		£000	£000	£000	£000	£000	£000
8	<b>Estimated Opening Balance</b>	(1,415)	(1,505)	(1,570)	(1,570)	(1,570)	(1,570)
4b	Council Tax Grant 13/14	(65)	0	0	0	0	0
4c	Council Tax Grant 14/15	(65)	(65)	0	0	0	0
4d	'One-off' Town Centre Initiatives	40	0	0	0	0	0
9	<b>Estimated Closing Balance</b>	<b>(1,505)</b>	<b>(1,570)</b>	<b>(1,570)</b>	<b>(1,570)</b>	<b>(1,570)</b>	<b>(1,570)</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 small increase in revenue each year reflects anticipated housing growth in the borough.

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The following assumptions have been made about future levels of government grant, these assumptions will continue to be reviewed as part of the budget process;

2015/16	(15.8%)
2016/17	(10.0%)
2017/18	(10.0%)
2018/19	(10.0%)
2019/20	(10.0%)

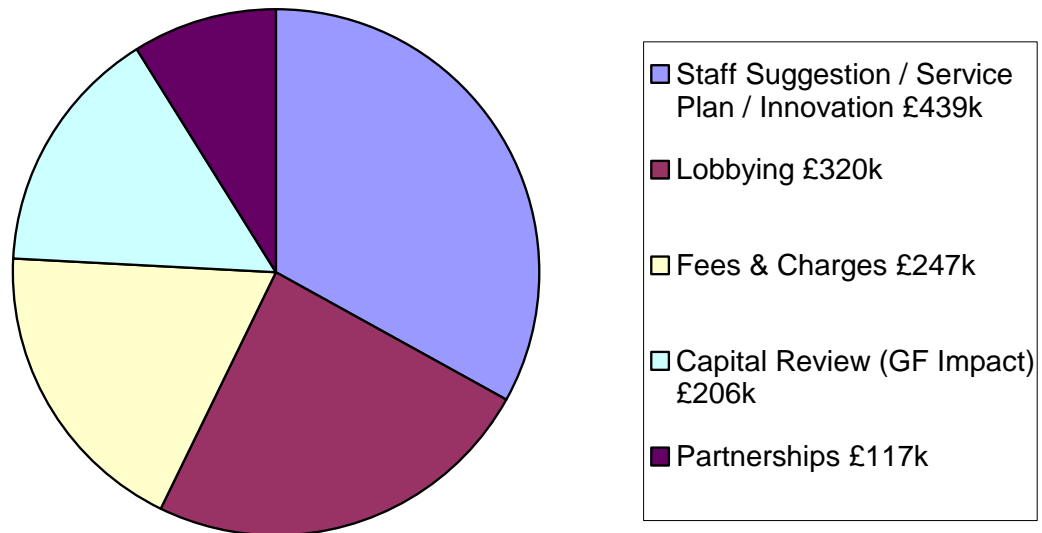
- 2a / 2b Revenue Support Grant / Business Rates** - Following the introduction of the Business Rates Retention Scheme the local share of business rates will be uplifted by RPI each year until the system is reset in 2020 this is shown in line 2b. The full reduction in grant is therefore applied to the element that is provided through the Revenue Support Grant, which is detailed in Line 2a.
- 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.
- 4c Council Tax Grant 2014/15** - This is a grant the Council receives from central government for two years in return for freezing Council Tax in 2014/15.
- 4d Town Centre Initiatives** – This relates to one off parking incentives and / or other town centre related items. Due to the one off nature this is being funded from the General Fund working balance rather than forming part of the base budget.
- 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 2014/15.

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- 4.2 The Council's medium term budget model will continue to be reviewed as we approach the forthcoming budget process. The key assumptions that underpin the detailed numbers will continue to be reviewed and refined as appropriate.
- 4.3 From the recent budget process, Members will recall that additional ongoing savings of £1,429,000 were required for this year (2014/15).
- 4.4 By reference to Table 1, it can be seen from line 5 that the Council has identified ongoing budget savings of £1,329,000 and further in year savings of £100,000 are required. As previously reported to the Executive Committee, the budget delivery framework has continued to be used in order to identify where the £1,329,000 will be delivered from, the identified savings of £1,329,000 are summarised in Chart 1 below:

**Chart 1 - Identified Framework Savings this Year (2014/15)**



- 4.5 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.

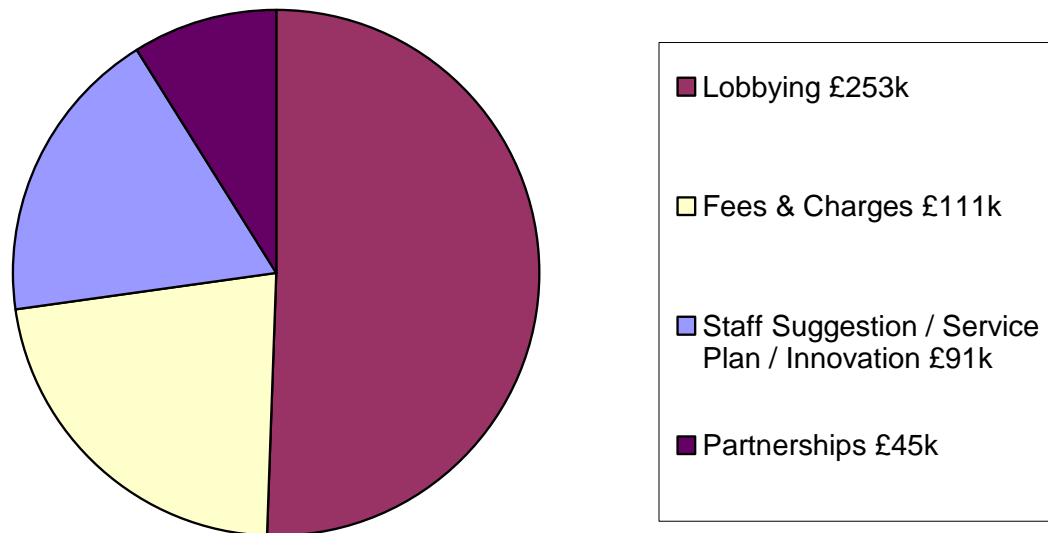
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### GENERAL FUND – 2015/16

- 4.6 As well as monitoring framework savings identified for 2014/15 work continues on identifying savings for the following year – 2015/16. Members are reminded of the current Medium Term Financial Forecast which required an additional £1,464,000 of savings to balance the budget in 2015/16. The savings target for 2015/16 has increased by £100,000 and results from the 2014/15 budget having unidentified savings of £100,000 following the Executives decision late in the budget process to implement a new car parking strategy, this takes the total savings target for 2015/16 to £1,564,000.
- 4.7 Savings of £200,000 had previously been identified (as reported to the July Executive) and a further £300,000 has now been identified, therefore the identified savings total £500,000. A further £1,064,000 is required in order to deliver a balanced budget for 2015/16 (after allowing for the unidentified savings of £100,000 in 2014/15). Chart 2 illustrates how the identified savings are being delivered:

**Chart 2 - Identified Framework Savings for next Year (2015/16)**



- 4.8 The budget for 2015/16 should include an element of growth from the Business Rates Retention Scheme the exact amount will be reported as part of a future durable budget report and will follow a review of the 2014/15 accounting

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treatment to ensure a sustainable amount is included in the budget for future years.

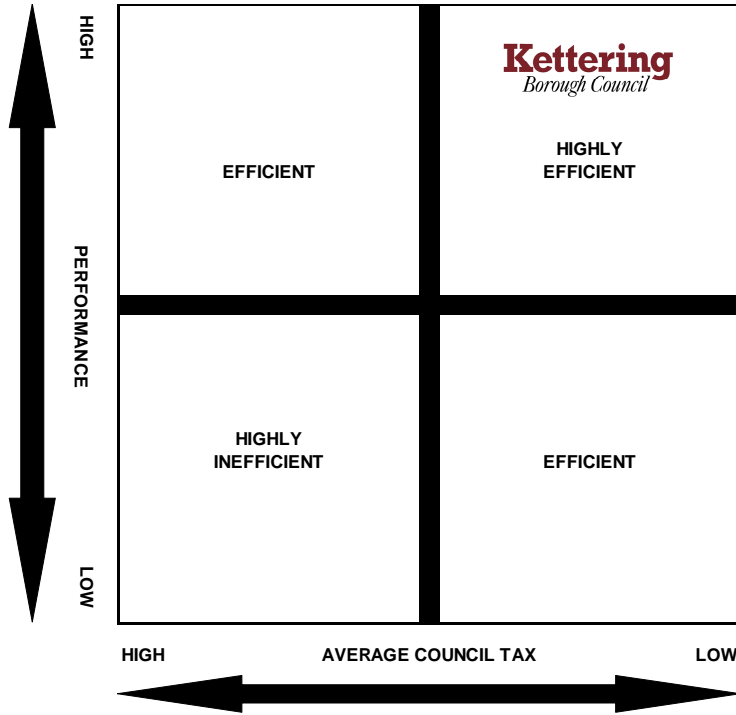
- 4.9 The Council's impressive record in identifying and delivering efficiency savings in the past five years, including the current year (2014/15), are around £6.8m - as illustrated in Table 2;

<b>Table 2 – Efficiency Savings</b>	<b>£000</b>
2010/11	1,260
2011/12	1,910
2012/13	1,330
<i>2013/14</i>	<i>950</i>
<b>Total</b>	<b>5,450</b>
<i>2014/15</i>	<i>1,330</i>
<b>Total</b>	<b>6,780</b>
<b>% Cash Savings (Net Budget)</b>	<b>66%</b>

- 4.10 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 2) the efficiency savings will be equivalent to approximately **66% (85% in real terms)** of the Council's draft net budget (which stands at £10.4m for 2014/15).
- 4.11 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.
- 4.12 This achievement is particularly commendable given that it has been achieved against the backdrop of no cuts to front line services, no increase in Council Tax and has preserved the overall funding level for the voluntary sector.
- 4.13 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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**HOUSING REVENUE ACCOUNT 2014/15 – CURRENT FINANCIAL YEAR**

4.14 A summary of HRA monitoring at 31<sup>st</sup> July is shown in Table 3. The Housing Revenue Account is currently projected to come in on budget.

<b>Table 3 - HRA</b>	<b>Current Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
	£'000	£'000	£'000
Gross Expenditure	15,533	15,533	0
Gross Income	(15,533)	(15,533)	0
Net Expenditure	0	0	0

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**CAPITAL 2014/15 – CURRENT FINANCIAL YEAR**

4.15 A summary of the projected Capital Programme outturn monitoring statement as at 31<sup>st</sup> July 2014 is shown in Table 4, this now reflects the brought forwards following Executive approval at the July meeting.

<b>Table 4 - Capital</b>	<b>Current Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
	£'000	£'000	£'000
<b>Expenditure</b>			
HRA Schemes	4,115	4,115	0
General Fund Schemes	2,441	2,441	0
	6,556	6,556	0
<b>Financing</b>			
Government Grants	3,424	3,424	0
Prudential Borrowing	2,410	2,410	0
Revenue Contribution	531	531	0
Capital Receipts	191	191	0
	6,556	6,556	0
<b>Net Expenditure</b>	0	0	0

4.16 The capital programme is currently projected to be 'on' budget.

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### **PART B**

#### **5 LOCAL COUNCIL TAX SUPPORT SCHEME**

##### **Background**

- 5.1 The following paragraphs are reproduced from the June 2014 'maintaining a durable budget' report to this committee;

*Members will recall that from April 2013, Council Tax Benefit was replaced with Council Tax Support. The Council undertook an extensive public consultation during the Autumn of 2012 which included major precepting authorities (i.e., the County Council and the Police Authority), the voluntary sector and the public.*

*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)*
- 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.*

*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. Accordingly, members of the Committee are reminded that the scheme that Council approved in January 2013 was fully implemented from April 2014.*

*In the run up to the 2015/16 budget process, Members will need to consider the financial implications of the current Council Tax Support Scheme and decide if they want to undertake further consultation and consider the principles (detailed at 5.20) that were used to develop the current scheme.*

##### **Current Scheme**

- 5.2 The following paragraphs explain briefly how the current Council Tax Support Scheme operates.



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5.3 From 1<sup>st</sup> April 2013, the Government replaced Council Tax Benefit with a new scheme called Council Tax Support. Previously, 100% of the cost of Council Tax Benefit payments was reimbursed to local authorities – under the new scheme the Government fixed the grant at a predetermined ‘cash’ level but also reduced the amount by 15%.

5.4 A separately identifiable grant for Council Tax Support was received from the Government in 2013/14 but from 2014/15 this grant was rolled into the formula grant. Whilst it is not possible to identify the level of grant being received the approach taken by many authorities has been to assume the grant is being reduced at the same rate as the formula grant. The Council in line with the assumptions used in the Medium Term Financial Strategy are modelling the following reductions in Council Tax Support ‘grant’:

2015/16	(15.8%)
2016/17	(10.0%)
2017/18	(10.0%)
2018/19	(10.0%)
2019/20	(10.0%)

5.5 To comply with the Council’s budget guiding principles, overall the cost of the new Council Tax Support Scheme had to be maintained within the overall funding envelope made available from the scheme. The funding comprised the annual cash grant paid by the Government and also funding secured through the operation of the various council tax discounts and exemptions. In deciding how the scheme would operate, the Council made a number of changes to the discounts and exemptions (to effectively dampen the impact) but there was still a funding gap remaining that had to be met from making a charge to those individuals who previously paid 0% council tax (because they were in receipt of benefit). It was estimated that a 15% charge (commonly referred to as the ‘taper’) would have to be made to those individuals – this was phased in over two years (as a result of a government one-off grant scheme) resulting in those affected having to pay 8.5% in the first year (2013/14) which subsequently increased to 15% in the second year (2014/15).

5.6 The changes that the Council made to the various council tax discounts and exemptions effectively used up all the options that were available in that area to help balance the budget. There could be further room created but it would require changes to national policy (such as single persons discounts or the protection provided to pensioners) which is widely considered unlikely.

### **Options Moving Forward**

5.7 **Looking forward, the 15% taper will be insufficient to balance the budget for 2015/16.** The committee is therefore presented with possible options to address this and is being asked which options it wishes to undertake a public consultation exercise upon. To comply with the law, any changes that the Council is considering to the operation of the scheme must be subject to an

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eight week consultation process – as such the Executive are not being asked to make a final decision at this meeting, they are being asked to confirm the options being presented for consultation.

- 5.8 The 15% taper will be insufficient to balance the budget for 2015/16 - this is because (a) the annual grant is being reduced every year in line with the reductions in the headline revenue grant that the council receives from the government, and (b) the changes in caseload.
- 5.9 Members will recall that when debating the introduction of the ‘new’ scheme in January 2013, the need to keep the scheme under constant review was highlighted (given the two key variables of grant funding, and caseload).
- 5.10 The following table outlines the actual and projected costs of the scheme (prior to the consideration of any further changes) and shows the annual cost and the cumulative cost if no further changes were made to the current scheme.

<b>Financial Year</b>	<b>Net Annual Cost of LCTS Scheme (£)</b>	<b>Cumulative ‘cash’ Impact (£)</b>
2013/14	-92,000	-92,000
2014/15	8,000	-84,000
<b>2015/16</b>	<b>139,000</b>	<b>55,000</b>
2016/17	224,000	279,000
2017/18	306,000	585,000
2018/19	383,000	968,000
2019/20	458,000	1,426,000

*\* Table 5 illustrates the cash impact to this Council. Any decisions on the Taper level impact on both the Police and the County Council. The cash impact is based on the respective share of the overall Council Tax Bill. The impact to the Police & Crime Commissioner Northants (PCCN) will be similar to KBC as the PCCN accounts for around 14% of the overall bill. The cost to the County Council will be somewhat greater as their share of the Council Tax Bill is around 72%.*

- 5.11 The only significant variable the Council has at its disposal (to keep within its budget guiding principles) is to adjust the ‘taper’ to ensure that the budget is in balance. There are two options available for changing the Taper that adhere to the current policy position these are:

**Option 1** – Adjust the level of the Taper based on the ‘annual cost’ of the Council Tax Support Scheme

**Option 2** – Adjust the level of the Taper based on the ‘cumulative cost’ of the Council Tax Support Scheme over the medium term (3 years)

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- 5.12 It can be seen that a surplus was created at the end of 2013/14 of £92,000 – this was due to two reasons (a) the Government paid a one-off cash grant to help mitigate the impact, and (b) the budget sums included a small contingency sum.
- 5.13 It is estimated that the annual budget will be about in balance by the end of this financial year (2014/15) but will be increasingly in deficit in future years.
- 5.14 If option 1 was the preferred option, indicative calculations suggest that the current 15% level would have to increase to around 35% in order for the Cost of Council Tax support to remain cost neutral in 2015/16.
- 5.15 If option 2 was the preferred option the Council would instead be looking to address the cumulative deficit of £55,000 (see Table 5). This would result in a taper of around 25% for 2015/16 (rather than 35%).
- 5.16 Whilst both option 1 and 2 adhere to the existing principles and whilst the collection rates have not been significantly adversely affected by moving from a taper rate of 8.5% to 15% collection rates would need to be closely monitored to ensure these are not adversely affected by increasing the taper.
- 5.17 Whilst both options result in an increase in the Taper Rate and would enable the cost of Council Tax Support to remain cost neutral in 2015/16 it is unlikely that this is a position that could continue to be maintained into the medium term without adversely impacting on the collection rate.
- 5.18 If there are no changes to Single Person Discounts or protection provided to pensioners Council Tax Support is going to become an additional cost pressure to local government. The Council has effectively maximised discounts and exemptions to close the funding gap and the only significant variable is to adjust the Taper, however this needs to be managed carefully so as not to have an adverse impact on collection rates.
- 5.19 Further lobbying work is required at a national level if Council Tax Support is to remain cost neutral as without further changes the cost of Council Tax Support will become an additional pressure to local government.
- 5.20 To summarise, the committee will need to decide there preferred course of action in relation to the following two options. The following table brings together the main considerations;

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<p><b>Option 1</b> Taper based on the 'annual cost' of the Council Tax Support Scheme</p>	<p>The taper would need to increase from its current level of 15% to 35% to address the estimated funding shortfall of £139,000 for 2015/16.</p> <p>Such an increase in the Taper rates could adversely impact on the Collection Rates</p> <p>A taper of 35% would require lower increases to the taper rates compared to Option 2 in future years if the current policy position is to be maintained</p> <p>This would constitute a change to the current local scheme and would require a formal consultation exercise and is ultimately a decision of Full Council.</p>
<p><b>Option 2</b> Taper based on the 'cumulative cost' over the medium term of the Council Tax Support Scheme</p>	<p>The taper would need to increase from its current level of 15% to 25% to address the estimated three year rolling funding shortfall of £55,000 from 2015/16.</p> <p>A lower increase in the Taper rate is less likely to adversely effect the Collection Rate</p> <p>A taper rate of 25% would require higher increases to the taper rates compared to Option 1 in future years if the current policy position is to be maintained</p> <p>This would constitute a change to the current local scheme and would require a formal consultation exercise and is ultimately a decision of Full Council.</p> <p>If this option were considered, it would be advisable to parallel run it with a lobbying campaign about possible other changes to national council tax discounts and exemptions.</p>

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### **6 CONSULTATION AND CUSTOMER IMPACT**

- 6.1 A formal eight week consultation process is required by law in relation to any proposed changes to the Council Tax Limitation scheme.

### **7 POLICY IMPLICATIONS**

- 7.1 None as a direct consequence of this report but changes may subsequently be required as a result of the consultation process and further member consideration.

### **8 USE OF RESOURCES**

- 8.1 As detailed throughout this report.

### **9. RECOMMENDATIONS**

#### **Part A**

That the Executive Committee;

- 9.1 Commends all those associated with securing additional funding for Kettering Borough and the County

- 9.2 Note the following;

- i. the Council's Medium Term Financial Strategy and associated guiding principles;
- ii. the Council's current Medium Term Financial Forecast and the progress being made for the delivery of efficiency savings for 2015/16 and future years;
- iii. the significant uncertainty facing the Council as outlined in paragraph 4.1

#### **Part B**

That the Executive Committee agree to;

- 9.3 Consult on the two options (outlined in this report) for the future operation of the Local Council Tax Support Scheme (as outlined in paragraph 5.19); and

- 9.4 Decide whether it has a preferred option at this stage in the process.

#### Background Papers:

Title of Document: Various

Contact Officers: M Dickenson

#### Previous Reports/Minutes:

Monthly Durable Budget Reports