

MESSAGES FROM THE LAST BUDGET PROCESS – A REMINDER

When the Council set its budget for 2015/16 in February 2015, the following points were outlined at that time:-

- ◆ *Council Tax remains below the national average (around £3 per week for the average household);*
- ◆ *The Council has maintained a balanced budget without cutting front line services or using one-off reserves;*
- ◆ *The Council has maintained its overall support for the voluntary sector;*
- ◆ ***The changes to the national landscape continue to bring greater uncertainty and volatility to future projections.***
- ◆ The changes to the national landscape continues to bring greater uncertainty and volatility to future projections. The recently announced review of the Business Rates system and forthcoming General Election add to this.
- ◆ The Council needs to continue its **excellent track record of delivering budget savings** to balance the budget for 2015/16, where £1,579,000 of identified savings need to be delivered.
- ◆ Prior to the consideration of any council tax increase, it is estimated that **£1,579,000 of savings will be required**. We will start 2015/16 in a similar position to 2014/15 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 2015/16. The remaining savings have also been identified and the Council is confident that these will be delivered during 2015/16 – provided the Council remains focused and sticks to its collection of golden rules.
- ◆ 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 2015/16 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. This financial discipline is a pre-requisite of any future financial strategy.
- ◆ **A capital programme of around £6.0m** is not inconsiderable for a District Council of Kettering's size and no doubt a continued boost to the local economy.
- ◆ 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

Appendix C

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

2016/17 and Beyond

- ◆ Assumptions have been made for future levels of government grant (and other funding changes). Future grant reduction projections now reflect the average of previous years grant reductions following announcements in the Autumn Statement.
- ◆ The current economic times for Local Government are unprecedented. Therefore the delivery of the budget is dependent upon successfully tracking the other budget assumptions that have been made and it must be recognised that in some cases relatively modest changes in such variables can have a significant impact on the Council’s finances and fiscal stability.
- ◆ 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.
- ◆ Based upon the assumptions applied, the future years’ budgets would require ongoing year on year savings of the following (on top of the £8.5m ongoing savings achieved since 2010);

2016/17	£1,464,000
2017/18	£1,170,000
2018/19	£1,168,000
2019/20	£1,134,000

- ◆ The Council will need to continue to develop a more commercial approach to ensure that its income base remains buoyant. Given the medium term picture, the Council’s Chief Executive (in their role as Head of Paid Service) is giving consideration to how the organisation can best meet these challenges – this is likely to be the subject of a separate report in due course.
- ◆ Hitherto, the Council has been able to close the budget gap without increases in Council Tax, cuts to front-line services, or cuts to voluntary sector funding. The scope for closing projected budget gaps without deploying some of these options looks increasingly doubtful in the medium term - although it is difficult to say exactly at which point (due to the national political situation).
- ◆ There are a number of other pressures the Council will face in both the short and the medium term. More immediate pressures could be around New Homes Bonus funding, other possible pressures include:

Appendix C

Business Risk	Possible Financial Range
New Homes Bonus	+ £1,250,000
Business Rate Appeals	+ £500,000
Homelessness	+ £200,000
Council Tax Support	+ £100,000
Recycling Commodities	+ £100,000
Utilities Cost	+ / - £50,000

Other Considerations

- ◆ The projections in all years rest on the Executive's adherence to the "*Guiding Principles*" the "*Modelling for Recovery Principles*" the "*Budget Containment Strategies*" and the "*Prioritisation Golden Rules*" (para 4.4).
- ◆ 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.**
- ◆ 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.
- ◆ **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.**