

BOROUGH OF KETTERING

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Report Originator	Head of Resources Mark Dickenson	<i>Forward Plan Ref</i>	
Wards Affected	All	16 th February 2016	
Title	BUDGET PROPOSALS FOR 2016/17 AND PREPARING FOR THE MEDIUM TERM		

1. PURPOSE OF 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 17th February 2016.
- 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 2016/17 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 13th January 2016 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.

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MEDIUM TERM FINANCIAL FORECAST							
		Zone of "Predictability"		Zone of "Unpredictability"			Severe Unpredictability
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
		Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
1	Net Council Budget	11,696	11,497	10,612	10,449	10,207	9,803
2	Forecast Resources:						
	Government Grant						
2a	Revenue Support Grant	(1,736)	(1,161)	(546)	(171)	250	0
2b	Business Rates	(2,244)	(2,310)	(2,355)	(2,425)	(2,503)	(2,000)
	Total Government Grant	(3,980)	(3,471)	(2,901)	(2,596)	(2,253)	(2,000)
	Council Tax / Coll'n Fund	(100)	(250)	(200)	(200)	(200)	(200)
	Income From Council Tax	(6,037)	(6,254)	(6,316)	(6,379)	(6,443)	(6,507)
	Total Resources	(10,117)	(9,975)	(9,417)	(9,175)	(8,896)	(8,707)
3	Budget (Surplus) / Deficit	1,579	1,522	1,195	1,274	1,311	1,096
4	Savings Identified	(1,579)	(1,522)	0	0	0	0
5	Savings - To be Identified	0	0	(1,195)	(1,274)	(1,311)	(1,096)
6	Budget (Surplus) / Deficit	0	0	0	0	0	0
GENERAL FUND WORKING BALANCE							
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
		£000	£000	£000	£000	£000	£000
7	Estimated Opening Balance	(1,415)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)
8a	Council Tax Grant 14/15	(65)	0	0	0	0	0
8b	Council Tax Grant 15/16	(65)	0	0	0	0	0
8c	Town Centre Initiatives	40	0	0	0	0	0
9	Estimated Closing Balance	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)	(1,505)

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 future levels of government grant; for the period 2017/18 – 2019/20 are based on indicative figures provided as part of the 2016/17 provisional financial settlement. The financial landscape changes significantly from 2020/21 when the Business Rates Retention Scheme is reset. The figure for 2020/21 is currently a best estimate.

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. This Council's Revenue Support Grant reduces to nil in 2019/20. The Government have made an adjustment in 2019/20 whereby the grant is reduced by £250,000 this is reflected in line 2a.*

3 Budget (Surplus) / Deficit – *This illustrates the gap between the budget and the total resources available before identifying budget framework savings.*

5 Savings to be identified – *This identifies the total resources that are required to balance the budget in future years after 2016/17.*

8a 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.*

8b Council Tax Grant 2015/16 - *This is a grant the Council receives from central government for one year in return for freezing Council Tax in 2015/16. A Council Tax Freeze has ongoing implications as an increase in Council Tax generates income year on year.*

8c Town Centre Initiatives – *This relates to parking incentives and / or other town centre related items. Due to the short term nature this is being funded from the General Fund working balance rather than forming part of the base budget. This has been used to fund the free parking days in the last two years – the funding effectively ends in March 2016.*

SUMMARY & CONCLUSIONS

2015/16

- 2.2 The Council has continued to use its own specific 'budget delivery framework' for the delivery of savings. The challenge was to turn the 'paper based savings exercise' into reality so that the £1,579,000 of savings were actually delivered – this is being successfully delivered.

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2.3 Since 2010, the Council will have delivered a total of £8.4m of savings by the end of March 2016. The delivery of savings of this magnitude will become increasingly more difficult to achieve.

2016/17

2.4 Taken in isolation, most of the main issues are 'known' for 2016/17 at this stage.

2.5 The Council had budgeted for a grant reduction of 15% for 2016/17 the provisional figure from the Government was a reduction of 16.5%. This represents a significant reduction in grant and a continued challenge for 2016/17.

2.6 Prior to the consideration of any council tax increase, it is estimated that **£1,522,000 of savings will be required**. We will start 2016/17 in a similar position to 2015/16 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 2016/17. The remaining savings have also been identified and the Council is confident that these will be delivered during 2016/17 – provided the Council remains focused and sticks to its collection of golden rules.

2.7 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. It remains 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.

2.8 **A capital programme of around £7.7m** is a significant commitment given the decrease in Government grant funding.

2.9 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

2017/18 and Beyond

2.10 Assumptions have been made for future levels of government grant (and other funding changes) these are based on indicative figures provided as part of the 2016/17 financial settlement. These should be treated with caution at the moment until details are provided about what the efficiency plan requirement is

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- 2.11 The levels of uncertainty in the medium term are very significant. The review of NHB is likely to result in significant reductions and the major review of business rates is also likely to bring radical change.
- 2.12 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.
- 2.13 Based upon the assumptions applied, the future years' budgets would require ongoing year on year savings of the following (on top of the £9.9m ongoing savings achieved since 2010);

2017/18	£1,195,000
2018/19	£1,274,000
2019/20	£1,311,000
2020/21	£1,046,000

- 2.14 The Council continues to develop a more commercial approach to ensure that its income base remains buoyant and continues to explore new fiscal arrangements to facilitate an asset acquisition strategy and types of governance models that best meets the needs of the business as it moves to a more self-sufficient business model.
- 2.15 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 will be dependent on progressing the commercial investment workstream whilst also reconsidering future levels of Council Tax.
- 2.16 There are a number of other pressures the Council will face in both the short and the medium term. More immediate pressures are likely to be around New Homes Bonus funding, Business Rates and other possible pressures include:

Business Risk	Possible Financial Range
New Homes Bonus	+£1,750,000
Business Rate Appeals	+£500,000
Homelessness	+£200,000
Recycling Commodities	+£200,000
Council Tax Support	+£100,000
Utilities Cost	+£50,000

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Other Considerations

- 2.17 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 4.3).
- 2.18 As pointed out in previous years budget reports 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 The settlement is far from straightforward and it is unclear what the financial landscape will be over the medium term.
- 2.21 The assumptions within the Council's Medium Term Financial Strategy will continue to be reviewed and amended where necessary. However there is much work to be undertaken to fully understand what this all means from 2017/18. What will actually happen will only become clearer as time progresses – however the level of volatility is probably greater than at any point in the past owing to the uncertainties around New Homes Bonus and Business Rates and the government are also considering transferring new responsibilities to local government.
- 2.22 The following sentiment has been made in previous years budget reports, but nonetheless still remains increasingly valid - 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.

3. **CONSULTATION AND CUSTOMER IMPACT**

The formal budget consultation period is from 13th January 2016 to 24th February 2016 when the Council sets the Council Tax for 2016/17. Comments from this Committee will be reported to the Executive Committee for consideration at its meeting on 17th February 2016.

4. **POLICY IMPLICATIONS**

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

5. **FINANCIAL RESOURCE IMPLICATIONS**

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

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6. HUMAN RESOURCE IMPLICATIONS

None as a result of this report.

7. LEGAL IMPLICATIONS

None as a result of this report.

8. RECOMMENDATION

- 8.1 That the Committee consider the draft budget proposals of the Executive Committee and submit any comments for consideration at the Executive Committee meeting on 17th February 2016.