

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Strategic Management Team	<i>Fwd Plan Ref no.</i> C15/008	
<b>Wards Affected</b>	All	1 <sup>st</sup> March 2016	
<b>Title</b>	<b>BUDGET PROPOSALS 2016/17 – GENERAL FUND, CAPITAL PROGRAMME, AND HOUSING REVENUE ACCOUNT</b>		

Portfolio Holder – Cllr J Smith

### 1. PURPOSE OF REPORT

To report to Full Council the recommendations from the Executive Committee to enable Full Council to make a formal decision in relation to each of the following;

- ◆ The Revised General Fund budget 2015/16;
- ◆ The General Fund budget 2016/17;
- ◆ The Capital Programme 2015 – 2021;
- ◆ The Council Tax level for 2016/17;
- ◆ The Housing Revenue Account budget 2016/17.

As part of the formal budget setting process, the Council must approve a statutory 'Council Tax Resolution' – this combines the precepts for all the precepting authorities in Kettering Borough (i.e. the County Council, Kettering Borough Council, The Police and Crime Commissioner, Town and Parish Councils) and provides a legal basis upon which to issue Council Tax bills and collect the amounts due.

- 2.1. On the 13<sup>th</sup> January 2016, the Executive considered a report containing initial budget proposals for 2016/17. Since that meeting, the budget proposals have been the subject of consultation and have been discussed at a number of meetings including the formal Budget Consultation event on 21st January 2016.
- 2.2. At its meeting of 17<sup>th</sup> February 2016, the Executive gave further consideration to the budget proposals (including consideration of comments that had been made through the consultation process) and made specific budget recommendations to the Council including a recommended level of Council Tax for 2016/17.
- 2.3. This report is made up of a number of sections to provide members with a brief resume of the budget setting process and the key issues. The report comprises the following;

- Section 2: Background
- Section 3: Key Issues Summary & Guiding Principles
- Section 4: General Fund Budget & the Medium Term
- Section 5: Council Tax Setting
- Section 6: Capital Programme

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Section 7: Housing Revenue Account

Section 8: Statutory Officers' Comments

Section 9: Recommendations

Appendix A: Draft Budget Booklet

Appendix B: Budget Consultation Comments

Appendix C: Statutory Officer Report

Appendix D: Formal Council Tax Resolution 2016/17 ***to be distributed at the Council meeting itself.***

- 2.4 It is worth emphasising the financial backcloth against which this budget is being considered. Local Government has experienced significant reductions in central government funding in the past few years. In general terms, this will continue for the next four years as the national debt reduction programme continues. The scale of reductions will continue to bring significant financial challenges to local government as a whole.

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### **3. KEY ISSUES SUMMARY / GUIDING PRINCIPLES**

- 3.1. For ease of reference, this section of the report shows the 'key issues summary' and the 'guiding principles' that have previously been reported to the Executive Committee in both the January and February budget reports.

#### **2015/16**

- 3.1.1 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.
- 3.1.2 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**

- 3.1.3 Taken in isolation, most of the main issues are 'known' for 2016/17 at this stage.
- 3.1.4 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.
- 3.1.5 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.
- 3.1.6 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.
- 3.1.7 **A capital programme of around £7.7m** is a significant commitment given the decrease in Government grant funding.
- 3.1.8 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

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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

- 3.1.9 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.
- 3.1.10 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.
- 3.1.11 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.
- 3.1.12 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);

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

- 3.1.13 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.
- 3.1.14 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.

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3.1.15 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, 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

### Other Considerations

3.1.16 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 3.4).

3.1.17 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.

3.1.18 It is inevitable some transition turbulence may be experienced even with the focus on protecting front line service delivery.

3.1.19 In the medium term, the settlement is far from straightforward and it is unclear what the financial landscape will be over the medium term.

3.1.20 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.

3.1.21 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.

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3.2 From the key issues summary, members will appreciate that the strategies the Council has adopted over the past few years have 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: -

- ♦ Anticipating and influencing major 'Big Ticket' items;
- ♦ Having a well motivated and flexible workforce that is pro-actively delivering change.

3.3 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.

### **The Guiding Principles**

3.4 The foundations of the Medium Term Financial strategy are the '*guiding principles*,' '*modelling for recovery*' principles, '*budget containment strategy*,' and the '*prioritisation golden rules*' These have served the Council well and remain the Council's approved policy position going into the budget process for 2016/17. For ease of reference, these are reproduced here:-

- 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).*

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**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.*

**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;*

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- *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.*
  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. GENERAL FUND BUDGET AND THE MEDIUM TERM**

4.1. This section provides a summary of the key issues (and resultant budget figures) for the following;

- ◆ Revised Budget 2015/16
- ◆ Draft Budget 2016/17
- ◆ Medium Term Forecast (and associated key issues)

##### **Revised Budget 2015/16**

4.2. The detail of the revised estimate figures for 2015/16 can be seen by reference to the draft budget booklet Appendix A (Section 1).

4.3. Members are reminded that in the current financial year (2015/16) the General Fund required budget savings of £1,579,000 to be achieved in order to deliver a balanced budget position for the year. The Council identified these ongoing budget savings in full.

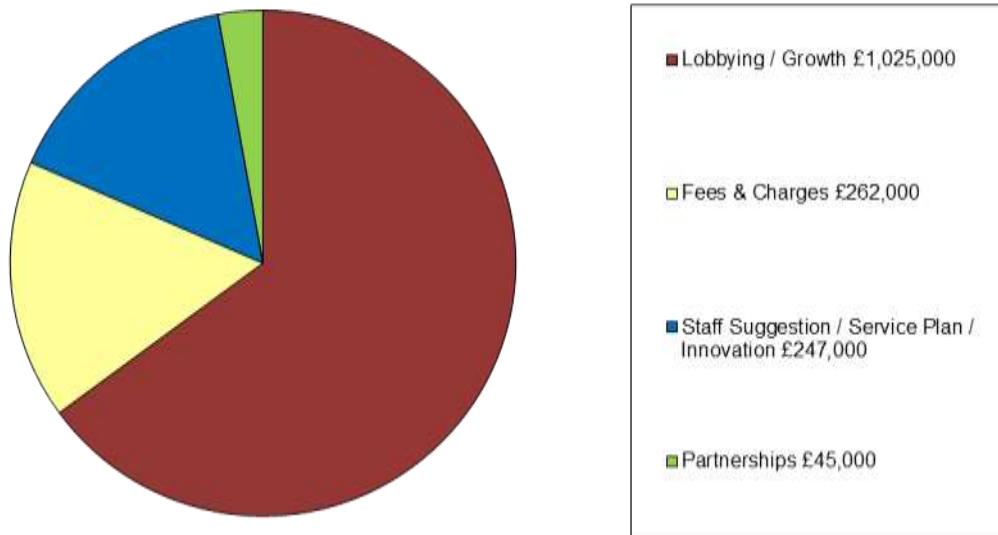
4.4. Using the Councils 'budget delivery framework' and 'guiding principles' the Council is currently on track to successfully deliver the identified savings of £1,579,000 - Turning what was a paper based exercise into reality has not been an easy task however by sticking to the guiding principles and through using the eight workstreams (that form the budget delivery framework) the approach is proving a successful one.

4.5. The savings that have been delivered through the budget delivery framework are summarised in the following chart:

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Chart 1 - Identified Framework Savings for next Year (2015/16)



### Draft Budget 2016/17

- 4.6. The draft budget figures for 2016/17 can be seen by reference to the Draft Budget Booklet at Appendix A (Section 1).
- 4.7. The Executive Committee considered the draft budget figures and comments that had been made during the budget consultation period when it met on 17 February 2016. The comments are reproduced at Appendix B for information.
- 4.8. There are a number of major service risks and pressures the Council face in 2016/17 and the years thereafter. The Council is seeing a number of public sector providers facing significant financial challenges, it is important the Council continues to adhere to the principles which it has set and does not deviate from these, particularly with regard to the Budget Containment Strategy principles and in particular point 5 which is reproduced below:

*The Council should not substitute itself as a provider / funder of services when another public provider cuts such a service.*

- 4.9. Members are reminded of a number of other significant pressures the Council could face in both the short and the medium term these are summarised in Table 1.

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<b>Table 1</b>		
<b>Business Risk</b>	<b>Issue</b>	<b>Possible Financial Range</b>
Business Rate Appeals	The authority continues to carefully monitor the financial implications of the growing number of business rate appeals nationally. There was a significant increase in appeals lodged at the end of March 15 and these continue to be cleared. Appeal costs continue to be an issue that could have significant financial implications to local authorities.	+ £500,000
Homelessness	The Council has for a number of years successfully managed the level of homelessness during a long period of pressure through innovative measures to prevent the use of bed and breakfast expenditure. The service however is demand led and currently continues to experience pressures.	+ £200,000
Recycling Commodities	The market price for the various commodities that the Council recycles is becoming more volatile. This is an area that the Council will continue to monitor closely.	+ £200,000
Council Tax Support	Members will be aware of this issue from the report considered by Full Council in December 2015. It continues to be an area that requires careful budget monitoring.	+ £100,000
Utilities Cost	The assumptions used will need close monitoring during the year in case of further changes. A 1% change in these costs is around £10,000.	+/- £50,000

- 4.10. The draft budget that the Executive recommended for consideration by Council forms part of the medium term financial forecast that is shown in Table 2. 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 with the exception of £50,000 in Government Transitional Grant in both 2016/17 and 2017/18 - this is shown within line 8d of the Council's Medium Term Financial Strategy. The Executive have also proposed the continuation of £40,000 for Town Centre Initiatives for a further two years (2016/17 and 2017/18) – this is shown in line 8c.
- 4.11. Nationally the Government have provided additional funding of £150m in both 2016/17 and 2017/18. This is to ease the pace of reductions during the first 2 years of the settlement for councils with the sharpest reductions in Revenue Support

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Grant. The additional funding has been made available in the form of a transitional grant. In the past when the Council has received short term grants of this nature we have budgeted for them outside of the base budget (because they are not an on-going source of income) – the same practice has been applied to the transitional grant and the same principle continues to be applied for the cost for the Town Centre initiatives.

4.12. The updated budget model (prior to the consideration of any change in council tax) is reproduced in Table 2.

TABLE 2 - 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	<b>Net Council Budget</b>	11,696	11,497	10,612	10,449	10,207	9,803
2	<b>Forecast Resources:</b>						
	<b>Government Grant</b>						
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)
	<b>Total Government Grant</b>	<b>(3,980)</b>	<b>(3,471)</b>	<b>(2,901)</b>	<b>(2,596)</b>	<b>(2,253)</b>	<b>(2,000)</b>
	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)
	<b>Total Resources</b>	<b>(10,117)</b>	<b>(9,975)</b>	<b>(9,417)</b>	<b>(9,175)</b>	<b>(8,896)</b>	<b>(8,707)</b>
3	<b>Budget (Surplus) / Deficit</b>	1,579	1,522	1,195	1,274	1,311	1,096
4	<b>Savings Identified</b>	(1,579)	(1,522)	0	0	0	0
5	<b>Savings - To be Identified</b>	0	0	(1,195)	(1,274)	(1,311)	(1,096)
6	<b>Budget (Surplus) / Deficit</b>	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	<b>Estimated Opening Balance</b>	(1,415)	(1,505)	(1,515)	(1,525)	(1,525)	(1,525)
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	40	40	0	0	0
8d	Tranistional Funding	0	(50)	(50)	0	0	0
9	<b>Estimated Closing Balance</b>	<b>(1,505)</b>	<b>(1,515)</b>	<b>(1,525)</b>	<b>(1,525)</b>	<b>(1,525)</b>	<b>(1,525)</b>

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### 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.*

*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.*

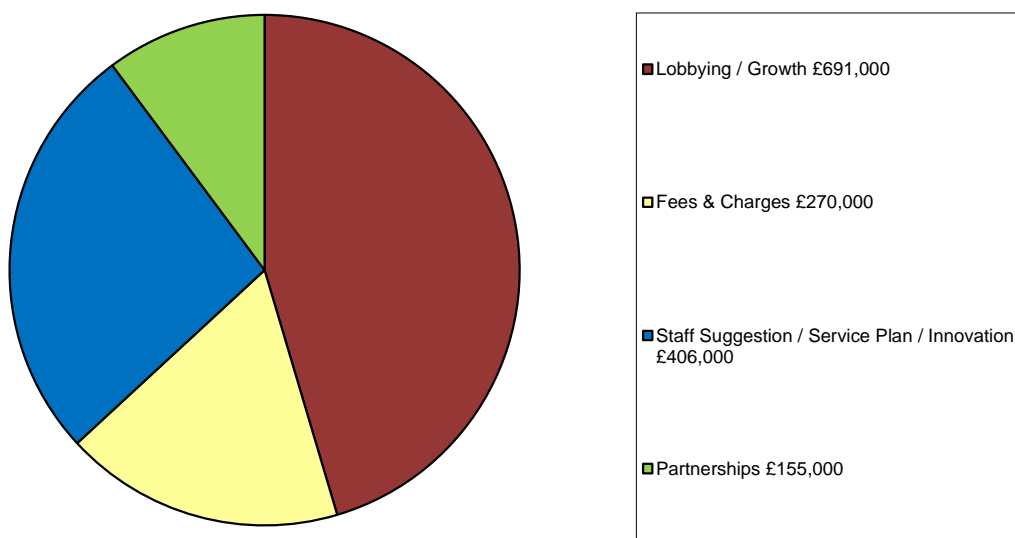
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**8d Transitional Grant** – This relates to additional funding that has been made available in the form of a transitional grant from Government to ease the pace of reductions during the first 2 years of the settlement for councils with the sharpest reductions in Revenue Support Grant.

- 4.13. When considering the draft budget for 2016/17 and the medium term issues and risks, the Executive decided to recommend a 0% Council Tax increase for 2016/17. This is now embedded in the figures used in Table 2. Further information about Council Tax setting is provided in Section 5.
- 4.14. By reference to Table 2, it can be seen from line 4 and line 5 that the Council will need to deliver ongoing budget savings of £1,522,000 in order to deliver a balanced budget for the year. The budget delivery framework has continued to be used and savings of £1,522,000 have been identified and have been previously reported to the Executive.
- 4.15. The identified savings of £1,522,000 are summarised in the chart below:

**Chart 2 - Identified Framework Savings for next Year (2016/17)**



- 4.16. The Council's impressive record in identifying and delivering efficiency savings over the past seven years, including the year under consideration (2016/17), are around **£9.880m** - as illustrated in Table 3;

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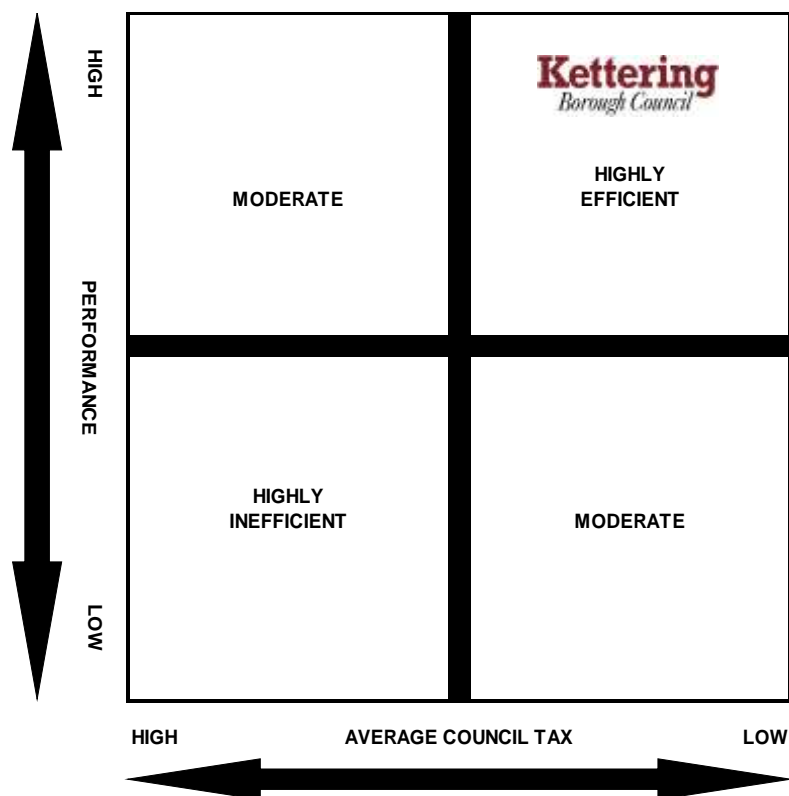
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<b>Table 3 – Efficiency Savings</b>	<b>£000</b>
2010/11	1,260
2011/12	1,910
2012/13	1,330
2013/14	950
2014/15	1,330
2015/16	1,580
<b>Total</b>	<b>8,360</b>
2016/17	1,520
<b>Total</b>	<b>9,880</b>
<b>% Cash Savings (Net Budget)</b>	<b>99%</b>

- 4.17. As previously reported, turning a paper based exercise into reality is not an easy one. However, based on the Council's track record - confidence levels are high that this is achievable. It will however require renewed focus on key priorities and an acceptance by all that if a 0% council tax increase is approved it 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.*
- 4.18. Despite the levels of efficiency savings that have been delivered over the past few years, the Council's performance in priority areas remains above average whilst Council tax is below the national average. This is an achievement that the Council is rightly proud of and one that has not happened by accident – continued focus on 'added value' rather than expenditure (and service) cuts has been the key to remaining in this position.

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- 4.19. 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. Over the seven year period (as detailed in Table 3) the efficiency savings will be equivalent to around the Council’s draft net budget (which stands at £9.975m for 2016/17).
- 4.20. 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 £9.880m in the past seven years, the Council’s level of council tax charged remains below the national average and performance remains above average.
- 4.21. Members have a statutory duty to consider the medium term when setting a budget and level of Council Tax for 2016/17.
- 4.22. The projections for all years rest on the Executives adherence to the “Guiding Principles” the “Modelling for Recovery Principles” the “Budget Containment Strategies” and the prioritisation ‘golden rules’ as well as maintenance of our best practice approach to generating fees and charges.



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### Medium term Forecast

- 4.23. Members should be aware that the indicative savings levels for the period 2017/18 onwards are subject to a number of high level assumptions. One of these is about the potential level of government grant.
- 4.24. The grant announcement provided indicative individual settlements for 2017/18 to 2019/20. Whilst the advance notice is broadly welcome these are only indicative figures at this stage and come with some currently unknown caveats.
- 4.25. The Government have made an offer that any Council can take up a four year settlement to 2019/20 as long as they agree an “efficiency plan” with the Government – (it is not clear what this means), therefore we must be cautious over the period 2017/18 to 2019/20 and await clarification of what this actually means.
- 4.26. It was reported to the January Executive that the medium term grant assumptions had been remodelled, prior to the January Executive we had used a hybrid of cash and % reductions in our future grant assumptions, this had resulted in grant being reduced by 6.50% followed by a cash reduction of £340,000. The Council’s Medium Term Financial Strategy detailed in Table 2 now reflects the figures announced in the final settlement which are unchanged to those that were announced as part of the provisional financial settlement.
- 4.27. 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>2017/18</b>	<b>£1,195,000</b>
<b>2018/19</b>	<b>£1,274,000</b>
<b>2019/20</b>	<b>£1,311,000</b>
<b>2020/21</b>	<b>£1,046,000</b>

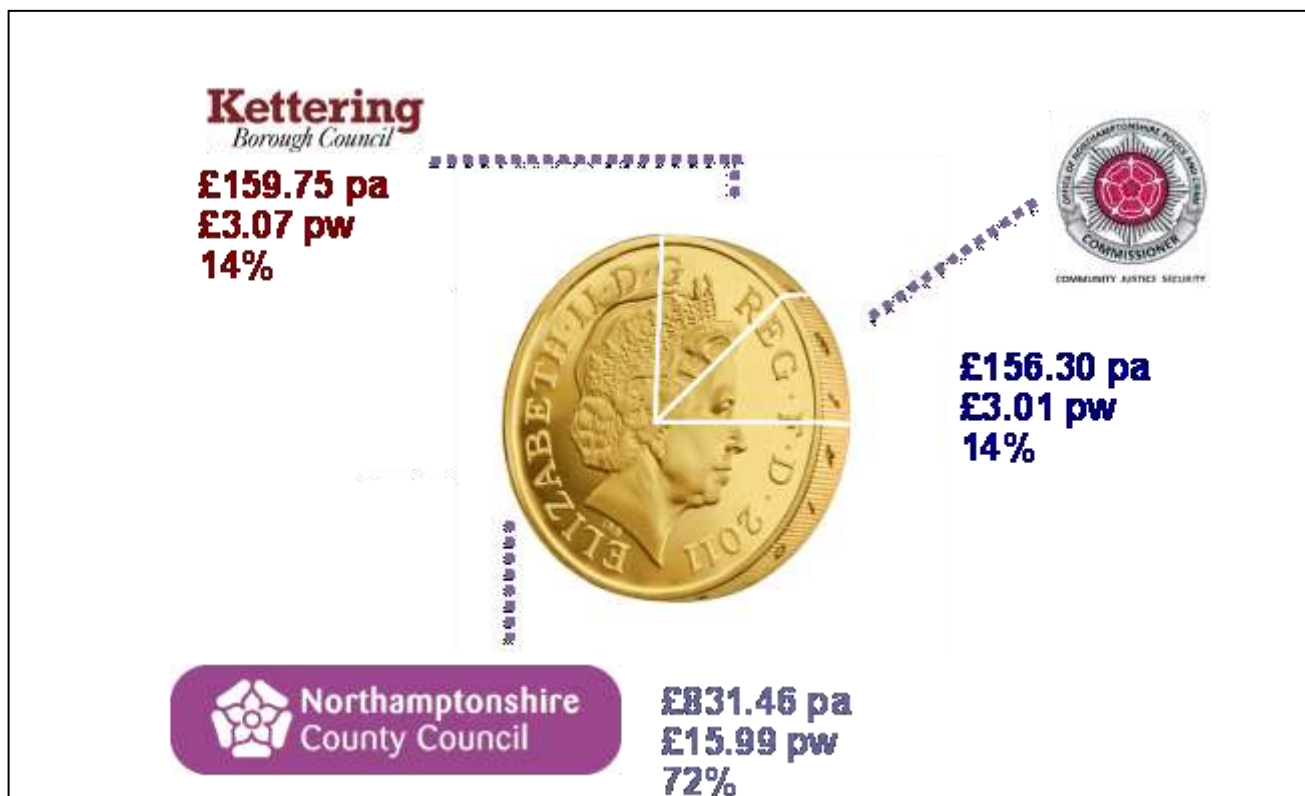
- 4.28. It should be noted that the above figures are calculated prior to the consideration of any Council Tax increase for the years 2017/18 to 2020/21. The table simply provides a working financial base position from which to understand the level of the resultant budget gap for information purposes.
- 4.29. When setting a balanced budget (and council tax) for 2016/17, members need to give due consideration to all material issues and risks - including those clearly outlined in this report and the reports that were submitted to the January and February Executive Meetings.

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### 5. COUNCIL TAX SETTING (2016/17)

- 5.1. 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.



*NB – The above figures are based on Band B Council Tax Charged in 2015/16.*

- 5.2 When deciding upon a preferred level of Council Tax for 2016/17, the Executive Committee were advised to have regard to the following;
- The medium term financial projections for the Council's General Fund budget (statutory requirement)
  - The advice of its officers
  - The financial (and business) risks that face the authority in the medium term.
- 5.3 The Executive Committee have recommended that a 0% increase in Council Tax for 2016/17 be considered by Council at this meeting.
- 5.4 Members are reminded that each 1% increase in Council tax equates to about £62,500 of ongoing income to the Council's Council tax yield.

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- 5.5 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. Table 4 summarises the real terms impact this has when compared to Council Tax freezes.

<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	2.50%	0.00%	10.00%
2014/15	1.50%	0.00%	11.50%
2015/16	0.10%	0.00%	11.60%
2016/17	1.00%	0.00%	12.60%

- 5.6 The Government have offered no incentive to those Councils who freeze Council Tax in 2016/17. This is the first time since 2011/12 that the Government have not provided an incentive. This reflects a change in policy and the additional yield from Council Tax is something the Government is now assuming in its income estimates for local government – indeed for District Councils such as Kettering, the Government are not assuming any increase in Council Tax for 2016/17 but are assuming increases for each year thereafter.
- 5.7 When announcing the final Local Government Finance Settlement for 2016/17 on 8<sup>th</sup> February, the Government also changed the referendum limits for Councils in relation to Council Tax setting. In previous years, the referendum limit had been set at 2% for Shire Districts – the referendum limit from 2016/17 is now the greater of 2% or £5 (Band D).
- 5.8 For Kettering Borough Council, the referendum limit is £5. This is the equivalent of a 2.4% increase and would generate additional council tax income of £152,250 during 2016/17.
- 5.9 The Council's medium term financial projections illustrated in Table 2 reflects a Council Tax Freeze in 2016/17. The figures shown thereafter are prior to the consideration of any future Council Tax changes. The Executive Committee are required to make a formal Council Tax recommendation to full Council for consideration at the meeting on 1<sup>st</sup> March 2016.
- 5.10 When considering the medium term, the scale of risks have clearly been outlined in previous budget reports and the scale of the savings targets from 2017/18 should be fully considered.

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- 5.11 Although through this budget process members will only be setting a level of council tax for 2016/17, this should be done by reference to the medium term and the risks faced.
- 5.12 To comply with best practice, the Council's Statutory Officers have a responsibility to provide a commentary on the budget (and the underlying assumptions). This is produced at Section 8 and is supplemented by the required Statutory Statement by the Council's Responsible Financial Officer (Appendix C).
- 5.13 At the meeting of 17<sup>th</sup> February 2016, the Executive recommended a 0% increase in Council Tax for 2016/17. Table 5 illustrates the proposed levels of council tax for each council tax band for Kettering Borough Council's budget based upon this recommendation for the Executive;

<b>Table 5</b>								
<b>Band</b>	<b>A</b>	<b>B*</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Increase per week (rounded to nearest pence)	0.00p	<b>0.00p</b>	0.00p	0.00p	0.00p	0.00p	0.00p	0.00p
Proposed Weekly Council Tax for 2016/17	£2.63	<b>£3.07</b>	£3.51	£3.95	£4.83	£5.70	£6.58	£7.90
Proposed Annual Council Tax for 2016/17	£136.93	<b>£159.75</b>	£182.57	£205.39	£251.03	£296.67	£342.32	£410.78
<b>Increase</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
* Represents the average level of the household bill within the District relating purely to Kettering Borough Council's budget.								

### **Council Tax Resolution**

- 5.14 The figures included in the above table are in relation to the proposed levels of Council Tax for Kettering Borough Council only.
- 5.15 The Council Tax for the County Council will be set at its meeting on 29<sup>th</sup> February. The recommendation being made by the County Council is for an increase of 3.95% in Council Tax – this is made up of a base increase of 1.95% supplemented by a 2% increase for adult social care.
- 5.16 The Police and Crime Commissioner approved an increase in their Council Tax of by 1.99% for 2016/17.

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5.17 These precept figures from all the precepting bodies will be combined into a formal Council Tax Resolution that requires approval by the Council (as the Collection Authority). ***The resolution will constitute Appendix D of this report and will be distributed at the Council meeting itself.***

5.18 The table below illustrates what the average Council Tax Bill would be if the County Council and Borough Council approves its recommendations.

Table 6	Increase	New Weekly		New Yearly	
		Amount	Increase	Amount	Increase
		Northants County Council	3.95%	£16.62	£0.63
Kettering Borough Council	0.00%	£3.07	£0.00	£159.75	£0.00
Police and Crime Commissioner	1.99%	£3.07	£0.06	£159.41	£3.11

*NB – The above figures are based on Band B Council Tax (which is the average Council Tax in Kettering Borough).*

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5.19 The following Town / Parish Council's as detailed in Table 7 have notified the Borough Council that they are levying a local precept for 2016/17 and these amounts will be included in the formal Council Tax Resolution;

<b>Table 7</b>		
<b>Parish</b>	<b>Precept 2015/16</b>	<b>Precept 2016/17</b>
	<b>£</b>	<b>£</b>
Ashley	4,000	4,050
Barton Seagrave	10,400	20,000
Brampton Ash	500	1,000
Braybrooke	4,000	4,500
Broughton	13,000	13,000
Burton Latimer	23,500	32,200
Cranford	6,500	8,700
Cransley	5,000	5,000
Desborough	67,000	350,000
Dingley	1,899	3,800
Geddington, Newton, Little Oakley	9,000	9,000
Grafton Underwood	1,000	1,000
Harrington	1,400	3,000
Loddington	5,420	5,420
Mawsley	60,000	60,000
Pytchley	7,500	7,500
Rothwell	20,000	30,000
Rushton	3,900	5,400
Stoke Albany	3,000	3,150
Sutton Bassett	1,200	1,200
Thorpe Malsor	2,000	2,000
Warkton	1,000	1,250
Weekly	1,500	1,500
Weston by Welland	2,000	2,000
Wilbarston	6,470	7,670
<b>Total</b>	<b>261,189</b>	<b>582,340</b>

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### 6. CAPITAL PROGRAMME (2016/17)

- 6.1. The detailed capital budgets for the period 2015 – 2021 are contained at Appendix A (Section 2).
- 6.2. 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.
- 6.3. The programme is summarised in Table 8.

Table 8 - Capital Programme	Draft Budget 2016/17	Indicative Estimate 2017/18	Indicative Estimate 2018/19	Indicative Estimate 2019/20	Indicative Estimate 2020/21
	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
HRA Schemes	3,887	4,059	3,345	3,170	3,385
General Fund Schemes	3,767	3,140	2,917	2,887	2,887
	<b>7,654</b>	<b>7,199</b>	<b>6,262</b>	<b>6,057</b>	<b>6,272</b>
<b>Financing</b>					
Capital Receipts	717	1,006	446	483	425
Prudential Borrowing	3,387	2,682	2,557	2,527	2,527
Revenue Contribution	3,310	3,291	3,039	2,827	3,100
Grants and Contributions	240	220	220	220	220
	<b>7,654</b>	<b>7,199</b>	<b>6,262</b>	<b>6,057</b>	<b>6,272</b>

- 6.4. There are no changes to the draft capital programme reported to the January Executive.
- 6.5. The financing estimate for borrowing for 2016/17 is £3.387m. The revenue impact of borrowing (be it external or internal) in 2016/17 is included in the revenue budgets. A capital programme of around £7.7m is not inconsiderable for a District Council of Kettering's size and no doubt a continued 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 £1.5m greater than the amount of income we receive in Council Tax each year.

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### 7. HOUSING REVENUE ACCOUNT (2016/17)

- 7.1. The Housing Revenue Account (HRA) budget for 2016/17 is contained at Appendix A (Section 3).
- 7.2. In accordance with the Council's Constitution, although the Executive will be recommending the HRA budget for 2016/17 to full Council for approval, the Executive meeting on 17<sup>th</sup> February 2016 formally approved a **decrease** of 1.00% in the average level of Council housing rents for 2016/17 (in line with Central Government Guidance). The decrease is effective from 4<sup>th</sup> April 2016 and will result in the average weekly rent decreasing to £80.96. The draft HRA budget included an average rent decrease of 1.00%.

### 8 STATUTORY OFFICERS COMMENTS

- 8.1 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 1 March 2016.
- 8.2 Members are reminded that the Council has identified and delivered efficiency measures of £8.4m over the six year period 2010/11 – 2015/16, and further efficiency measures of £1.5m have been identified for 2016/17. The total over the past seven years amounts to £9.9m.
- 8.3 **Based on the assumptions applied to the Council's Medium Term Financial Strategy, in the years after 2016/17 the Council will need to deliver additional annual on-going savings in the region of £1¼m – this adds up to around £5m over the medium term which is on top of the £9.9m ongoing savings achieved since 2010. This is a very significant challenge. The Council will need to ensure that progress is made on its strategy of 'commercial investments' and it will also need to adhere to its existing suite of guiding principles and continue to resist taking on additional revenue spending.**
- 8.4 The level of uncertainty about major income sources into the medium term (eg, New Homes Bonus) is very real and potentially very significant. If the Council is to deliver a balanced budget in the medium term, in addition to making progress on 'commercial investments' it will need to seriously 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).
- 8.5 Should members feel minded to go forward with a council tax freeze for 2016/17, 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 2017/18 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.



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- 8.6 The Government have offered no incentive to those Councils who freeze Council Tax in 2016/17. This is the first time since 2011/12 that the Government have not provided an incentive. This reflects a change in policy compared to previous years. The Government have assumed that District Council's (such as Kettering) will increase their Council Tax by the referendum limits from 2017/18.
- 8.7 The technical consultation on 2016/17 Local Government Finance settlement states that 'new responsibilities will be matched by the transfer of equivalent spending power'. The indicative grant levels for the following years assumes that all local authorities will increase their Council Tax levels up to the threshold each year. The stronger the Council Tax yield – the greater the flexibility to deal with the future.
- 8.8 Members should be aware that the indicative savings levels for the period 2017/18 onwards are subject to a number of high level assumptions – these include assumptions about the future level of Government Grant and also income from the New Homes Bonus Scheme. Revenue Support Grant effectively becomes a 'negative' amount in 2019/20 and the Council is also modelling to reduce reliance on New Homes Bonus income to around 1/3<sup>rd</sup>.
- 8.9 When considering the medium term, members should be aware of the scope of changes that are likely to take place re: business rates. The Government intend to allow local authorities to retain a greater share of business rates to (a) help with the phasing out of revenue support grant, and (b) enable local authorities to take on new government spending burdens. When implementing the changes over the coming years, it would not be surprising if the recent trend of transferring risk from central to local government continues – this will need to be carefully mapped.
- 8.10 It is important to note that, although members have a statutory duty to consider the medium term when setting the 2016/17 budget and council tax, they will only be setting the budget and council tax for 2016/17 at this point. Levels of council tax for future years cannot be set in advance by the council. Each future year's decision can only be taken at the appropriate time, once all of the financial and business risks have been analysed, understood and discussed.
- 8.11 Collectively, the council has done an impressive job of turning a 'paper based exercise' into reality in delivering the savings targets over recent years. However these unprecedented times are likely to continue over the next four years at least (2017/18 – 2020/21) and it is this period that provides the greatest challenge, particularly when we consider that some £9.9m of efficiency savings have already been identified and further efficiencies in the region of £5m are required over the next four years to deliver a balanced budget.
- 8.12 This four year period for the reasons outlined earlier also bring the greatest levels of uncertainty, risk and difficulty. The risks are unprecedented for the local government sector as a whole and in coming to a decision about council tax for 2016/17 members will need to consider the careful balance that needs to be struck between providing sufficient financial flexibility to deal with the challenges faced.

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### 9. RECOMMENDATIONS

#### **That Council approve:**

1. The General Fund Revised Budget (2015/16) and the General Fund Budget (2016/17) (as detailed at Appendix A Section 1);
2. The Capital Programme for 2015 – 2021 (as detailed at Appendix A Section 2);
3. The HRA budget for 2016/17 (as detailed at Appendix A Section 3);
4. The Council Tax Resolution for 2016/17 (as detailed at Appendix D);

#### **That Council receive:**

5. The Medium Term Financial Forecast (as detailed in Table 2)
6. The report of the Statutory Officer (as detailed at Appendix C).

#### Background Papers:

Title of Document: Estimate Working Papers  
Contact Officers: M Dickenson

#### Previous Reports/Minutes:

Ref: Exec Report 13/01/16,17/02/16