

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 1
Report Originator	Strategic Management Team	Fwd Plan Ref A16/013	
Wards Affected	All	19 th October 2016	
Title	MAINTAINING A DURABLE BUDGET		

Portfolio Holder – Councillor Lesley Thurland

1. PURPOSE OF REPORT

The purpose of the report is to:

- a) Provide Members with a reminder of the Council's medium term financial strategy and associated guiding principles;
- b) Illustrate the latest budget model, the delivery of efficiency savings for 2016/17 and the estimated level of budget savings that may be required over the next few years;
- c) Provide an update on the Council Tax Support Consultation process, following the decision taken by the Executive Committee at its previous meeting;
- d) Provide a mid-year update on Treasury Management;
- e) Provide an update on the proposals for the Northamptonshire Business Rates Pool for 2017/18.

2. BACKGROUND

- 2.1 At the March Executive meeting Members approved that the budget delivery framework used in the six previous budget rounds be used for the preparation of the 2017/18 budgets. Specifically, members approved;

that the same methodology be applied to the formulation of the 2017/18 budget as it applied to the 2016/17 budget with increased emphasis for commercial investment opportunities – within the asset / commercial investment framework with particular reliance on:-

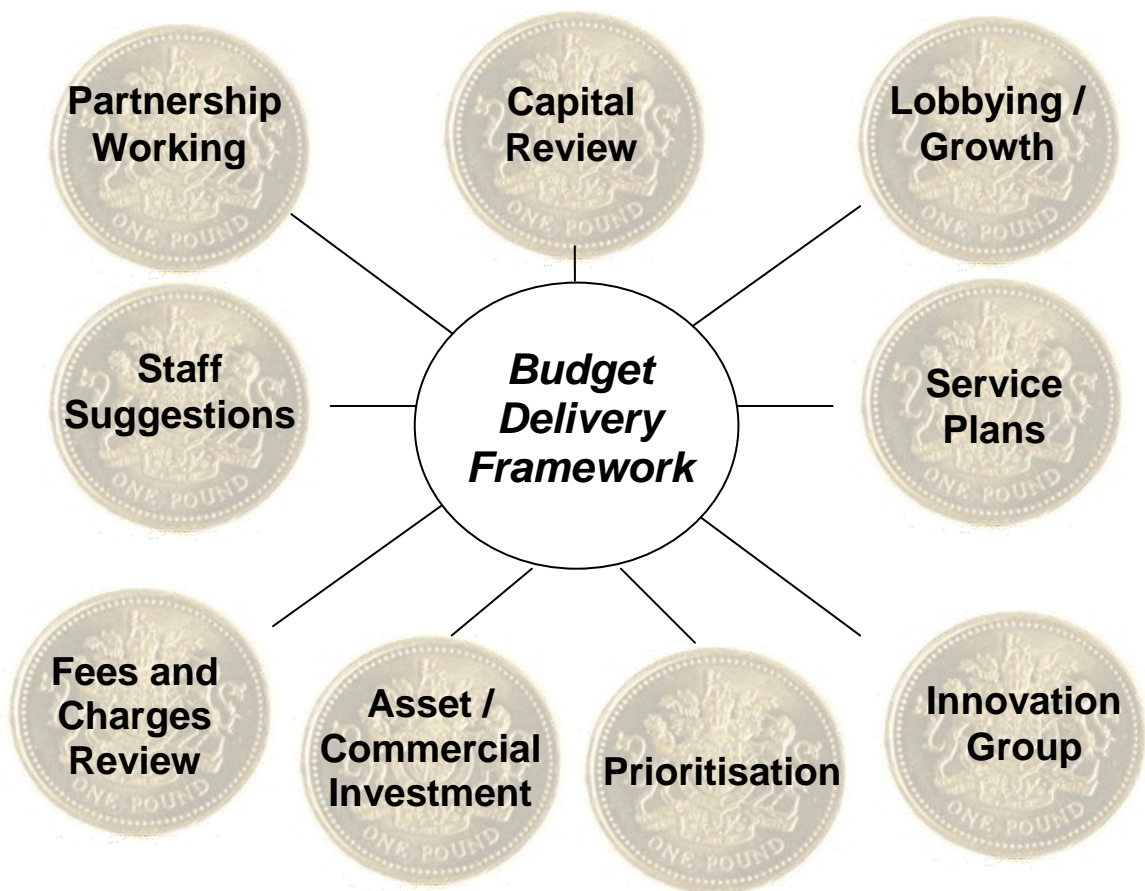
- *the existing guiding principles*
- *the existing modelling for recovery principles*
- *the existing budget containment strategy*
- *the prioritisation 'golden rules.*

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 2
-----------	----------------------------	------------	--------

- the existing nine workstreams

- 2.2 The Council's success in delivering a balanced budget over the past number of years has come from the Budget Delivery Framework and particularly from the Staff Suggestions and Innovation Framework which have contributed annually to around a third of the total savings target.
- 2.3 In terms of setting a balanced budget, the Council's strategy to date has been successful, although it has to be stressed that the budget setting process is a paper exercise and all the changes being proposed have to be realised and delivered over the next year if we are to avoid additional strain being placed on the following years' budgets. The budgets for 2016/17 will be closely monitored throughout the year and any variances will be reported to the Executive as part of the Durable Budget report.
- 2.4 The Council's success in delivering a balanced budget over the past number of years has come from the Budget Delivery Framework (as outlined in Section 2.5) however savings of this magnitude are becoming increasingly difficult to maintain.
- 2.5 The opportunities for commercial investment are going to become increasingly important if the Council is to continue to deliver a balanced budget. The framework consists of nine workstreams and is illustrated below;



BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 3
------------------	----------------------------	------------	--------

2.6 The financial strategies key '*guiding principles*' supplemented by the '*Modelling for Recovery Principles*' the '*Budget Containment strategies*' and the prioritisation '*golden rules*' 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*

Budget Containment Strategy:

1. *Where a specific grant which funds a specific service is withdrawn, the service stops;*

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 4
-----------	----------------------------	------------	--------

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;*
 - *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.*

3. UPDATE OF KEY ISSUES AND BUDGET PROJECTIONS

- 3.1 The Council's Medium Term Financial Strategy is reproduced in Table 1.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 5
-----------	----------------------------	------------	--------

3.2 The forecast comprises the following 'Zones'

- ♦ **Zone of Predictability** – covers the current financial year (2016/17) for which the level of government funding has been confirmed.
- ♦ **Zone of Unpredictability** – Medium Term (2017/18 – 2019/20)

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 financial settlement.

The overall scale of budget reduction continues to be very significant. Collectively 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 will be more challenging – the Council will need to carefully consider its main sources of income (Council Tax, Fees and Charges) at the same time as progressing its commercial investment projects whilst also 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 is unlikely to be achievable in the medium term, indeed any one element of this will put additional pressure on existing levels of service and resources.

There are significant pressures and risks over the medium term in relation to the following:

- New Homes Bonus Funding - The conclusions of the recent national consultation exercise are expected shortly.
 - Business Rates Review – a consultation on 100% Business Rates Retention was issued in July and closed on 26th September 2016 – A more detailed technical consultation on Business Rates is expected before the end of 2016.
- ♦ **Zone of Severe Unpredictability** – Medium Term (2020/21 – 2021/22)

The Council would need to identify and deliver further savings of around £1.1m in 2020/21 and £768,000 in 2021/22.

The Business Rates Retention Scheme will have completely changed by 2020/21. The scale of the financial challenges from this point onwards will be dependent on how the Business Rates Retention Scheme operates over the next five years.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 6
------------------	----------------------------	------------	--------

TABLE 1 - MEDIUM TERM FINANCIAL FORECAST							
		Zone of "Predictability"	Zone of "Unpredictability"			Severe Unpredictability	
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
		Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
1	Net Council Budget	11,497	10,612	10,449	10,207	9,803	9,539
2	Forecast Resources:						
	Government Grant						
2a	Revenue Support Grant	(1,161)	(546)	(171)	250	0	0
2b	Business Rates	(2,310)	(2,355)	(2,425)	(2,503)	(2,000)	(2,000)
	Total Government Grant	(3,471)	(2,901)	(2,596)	(2,253)	(2,000)	(2,000)
	Council Tax / Coll'n Fund	(250)	(200)	(200)	(200)	(200)	(200)
	Income From Council Tax	(6,254)	(6,316)	(6,379)	(6,443)	(6,507)	(6,571)
	Total Resources	(9,975)	(9,417)	(9,175)	(8,896)	(8,707)	(8,771)
3	Budget (Surplus) / Deficit	1,522	1,195	1,274	1,311	1,096	768
4	Savings Identified	(1,522)	(650)	0	0	0	0
5	Savings - To be Identified	0	(545)	(1,274)	(1,311)	(1,096)	(768)
6	Budget (Surplus) / Deficit	0	0	0	0	0	0
GENERAL FUND WORKING BALANCE							
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
		£000	£000	£000	£000	£000	£000
7	Estimated Opening Balance	(1,415)	(1,425)	(1,435)	(1,435)	(1,435)	(1,435)
8a	Town Centre Initiatives	40	40	0	0	0	0
8b	Transitional Grant	(50)	(50)	0	0	0	0
9	Estimated Closing Balance	(1,425)	(1,435)	(1,435)	(1,435)	(1,435)	(1,435)

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 financial

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 7
-----------	----------------------------	------------	--------

settlement. The financial landscape changes significantly from 2020/21 when the Business Rates Retention Scheme is reset. The figures from 2020/21 are 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 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.*

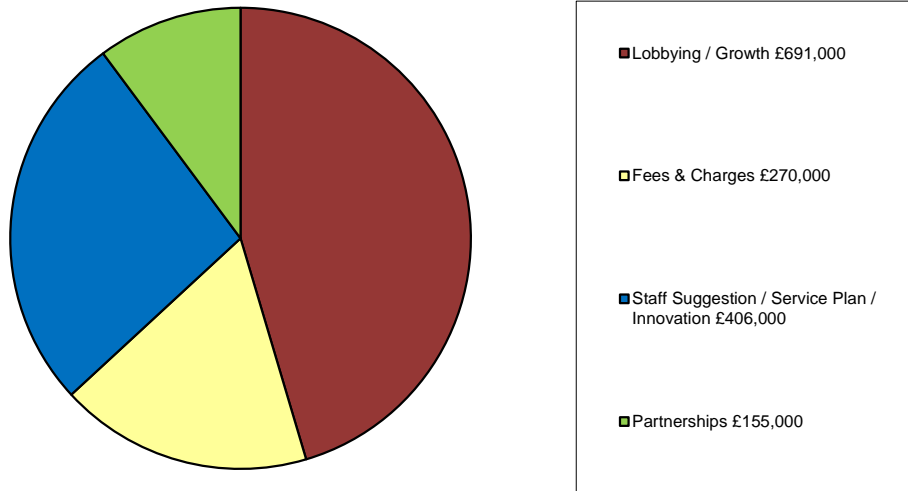
8b Transitional Grant – *This relates to additional funding that has been made available in the form of a transitional grant from Government to ease the pace of reductions during the first 2 years of the settlement for councils with the sharpest reductions in Revenue Support Grant.*

3.3 From Table 1 it can be seen that the Council's budget delivery framework will need to deliver £1,522,000 of savings in 2016/17 to maintain a balanced budget. The assumptions will need to be kept under close review during 2016/17. The identified savings are summarised in Chart 1:

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 8
------------------	----------------------------	------------	--------

Chart 1
Identified Framework Savings for the current Year
(2016/17)



3.4 Table 2 illustrates that around 2/3 of the total savings targets in 2016/17 are being delivered through additional income and around 1/3 are being delivered through reduced expenditure.

Table 2 – Framework Savings 2016/17			
Framework	Additional Income £'000	Reduced Expenditure £'000	Total £'000
Lobbying / Growth	673	18	691
Fees & Charges	270	0	270
Staff Suggestion / Service Plan / Innovation	41	365	406
Partnerships	27	128	155
Total	1,011	511	1,522

3.5 Based upon the figures in the model (Table 1) 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);

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 9
------------------	----------------------------	------------	--------

2017/18	£1,195,000
2018/19	£1,274,000
2019/20	£1,311,000
2020/21	£1,096,000
2021/22	£ 768,000

- 3.6 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. The Government as part of the 2016/17 settlement offered Councils a four year grant settlement subject to Councils submitting an efficiency plan.
- 3.7 The Executive at the September meeting agreed to apply for the Governments offer of a 'four year settlement' and since this meeting the Council has submitted an efficiency plan to Government.
- 3.8 The four year settlement put forward by the Government for this Council is summarised in Table 3, these are "**minimum allocations not fixed allocations**" whilst this implies there could be some scope for those who take the four year settlement deals to gain, it is difficult to see the levels of grant changing.

TABLE 3 - FOUR YEAR GRANT SETTLEMENT				
	2016/17	2017/18	2018/19	2019/20
	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000
Revenue Support Grant	(1,161)	(546)	(171)	250
Business Rates	(2,310)	(2,355)	(2,425)	(2,503)
Total Government Grant	(3,471)	(2,901)	(2,596)	(2,253)

- 3.9 A further high level assumption is around New Homes Bonus. As previously reported to the Executive the Government have made it clear that it will be looking to transfer **at least £800m** from the current New Homes funding base (to pass over for adult social care funding) – whilst changes will not take place until 2017/18 – it will not be clear until later in 2016 how these will be phased in. The Council has revised its New Homes Bonus assumptions and the MTFs has incurred a reduction in budget of £275,000 in both 2018/19 and 2019/20.
- 3.10 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 Councils Swing – o – meter as detailed at **Appendix A**.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 10
------------------	----------------------------	------------	---------

HOUSING REVENUE ACCOUNT 2016/17 – CURRENT FINANCIAL YEAR

3.11 A summary of HRA monitoring at 30th September is shown in Table 4. The Housing Revenue Account is currently projected to come in on budget.

Table 4 - HRA	Current Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Gross Expenditure	15,809	15,809	0
Gross Income	(15,809)	(15,809)	0
Net Expenditure	0	0	0

CAPITAL 2016/17 – CURRENT FINANCIAL YEAR

3.12 A summary of the projected Capital Programme outturn monitoring statement as at 30th September 2016 is shown in Table 5.

Table 5 - Capital	Current Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Expenditure			
HRA Schemes	5,636	5,636	0
General Fund Schemes	4,479	4,079	400
	10,115	9,715	400
Financing			
Capital Receipts	1,475	1,475	0
Prudential Borrowing	4,539	4,139	400
Revenue Contribution	3,738	3,738	0
Grants & Contributions	363	363	0
	10,115	9,715	400
Net Expenditure	0	0	0

3.13 The capital programme is currently projected to come in £400,000 lower than budget – this variance relates to the Fleet Maintenance Facility scheme which has currently been put on hold whilst the Council reviews alternative options.

GENERAL FUND – 2017/18

3.14 As well as monitoring framework savings identified for 2016/17 work continues on identifying savings for the following year – 2017/18. Members are reminded of the current Medium Term Financial Forecast which required an additional £1,195,000 of savings to balance the budget in 2017/18.

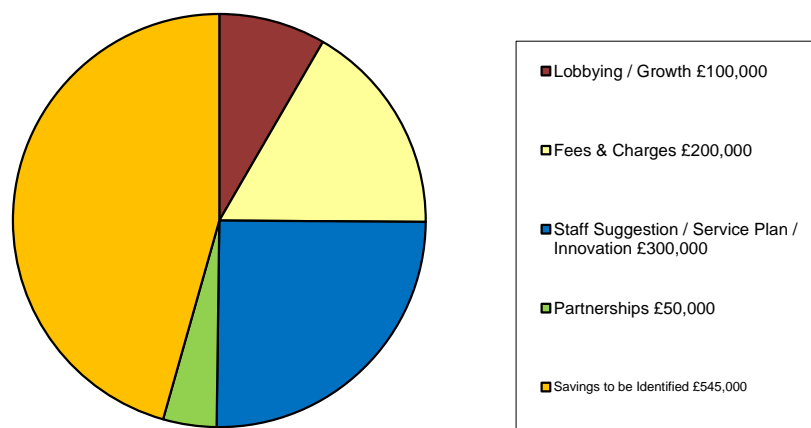
3.15 Savings of £485,000 had been previously identified (as reported to the September Executive) and a further £165,000 has been identified, therefore the identified savings total £650,000. A further £545,000 is required in order to deliver a balanced budget for 2017/18. Chart 2 illustrates how the identified savings are to be delivered

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 11
------------------	----------------------------	------------	---------

and the levels of savings that are required to deliver a balanced budget – to date around half of the savings have been identified which is not dissimilar to previous years at this stage of the process.

**Chart 2
Framework Savings for the next Year (2017/18)**



3.16 Table 6 illustrates how the savings identified to date are to be delivered - around 1/2 of the total savings target is to be delivered through reduced expenditure and around 1/2 is to be delivered through increased income.

Table 6 – Framework Savings 2017/18			
Framework	Additional Income £'000	Reduced Expenditure £'000	Total £'000
Lobbying / Growth	100	0	100
Fees & Charges	200	0	200
Staff Suggestion / Service Plan / Innovation	0	300	300
Partnerships	6	44	50
Total	306	344	650

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 12
-----------	----------------------------	------------	---------

PUBLIC SECTOR PARTNERS

3.17 The Council's Strategic Risk Register includes risks to this Council arising from the actions or impact suffered by another authority. The risk around funding for Disabled Facility Grants (DFGs) was highlighted to Members as part of previous durable budget reports and the potential risks around green waste were reported to the September Executive.

Disabled Facility Grants

3.18 The Department of Health set out nationally how £394m of DFG funding was to be allocated in 2016/17 despite this NCC had originally only confirmed funding allocations for the Shire Districts of £1.957m for 2016/17 (which are the same figures as 2015/16). The actual DFG allocations for Northamptonshire were £3.518m a difference of £1.561m. The Shire Districts made representations to the County Council and shared the advice received from the Department of Health that the allocations should be made in full.

3.19 NCC then advised that the allocations provided by the Department of Health will be met with the exception of around £300,000 – again advice was sought from the Department of Health and their Policy Advisors again clearly stated that the full amount should be paid to the Shire Districts. This was again shared with the County Council.

3.20 Together with other Districts and Boroughs, the Council is very clear that legally the County Council have no right to with-hold this money or to pay by instalments without its prior agreement. Kettering Borough Council will continue to try and recover the outstanding monies so that it can be spent correctly on our citizens. At the time of writing, the County Council have paid half of the full allocation of which all has been spent or committed and NCC has not responded to requests to pay the full amount.

GREEN WASTE

3.21 It was reported to the September Executive that NCC were considering a report at its Cabinet which was subsequently approved about possible changes to the way that Green Waste disposal is undertaken.

3.22 If NCC were to proceed along the lines that they originally indicated, KBC may be left between £150,000 - £200,000 per annum worse off. As a result, the Council would have to decide if it was financially feasible to continue to offer a Green Waste Collection Service and if so, what such a service would be. At a recent meeting of the Waste Partnership Group the County Council and Districts agreed to consider other options on how the £0.5m shortfall could be addressed – discussions are currently ongoing.

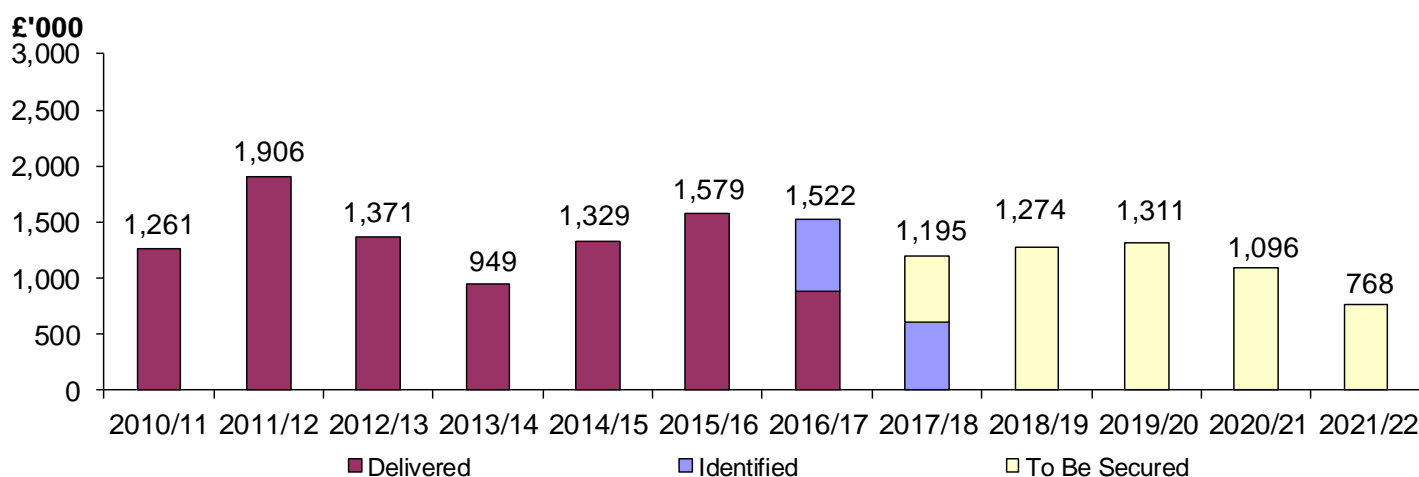
BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 13
------------------	----------------------------	------------	---------

3.23 As clearly outlined in previous budget reports considered by the Executive and Full Council, the best estimates of the ongoing savings targets going forward are at least of a similar scale to those already met, the following chart shows:

- Savings of £8.4m have been identified and delivered between 2010/11 – 2015/16;
- Savings of £1.522m have been identified but need to be delivered in 2016/17;
- Savings of around £5.6m need to be identified and delivered over the next five years (2017/18 – 2021/22).

Efficiency Savings



4 LOCAL COUNCIL TAX SUPPORT SCHEME

Background

- 4.1 A full update was provided in last month's report about the funding position of the current Council Tax Support Scheme, its history and the options available for the future.
- 4.2 Having considered the information, the Committee agreed to undertake a formal consultation process. Currently those affected have to pay up to 45% of the Council Tax liability. The consultation considers the following four options

Option 1 – increase the taper based on the 'annual cost' of the Council Tax Support Scheme. The taper would need to increase to around 68% to address the funding shortfall;

Option 2 - increase the taper based on the 'cumulative cost' of the Council Tax Support Scheme. The taper would need to increase to around 50% to address the funding shortfall;

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 14
-----------	----------------------------	------------	---------

Option 3 – an increase of between 50% – 68%.

Option 4 – the taper rate is frozen at 45%

- 4.3 Following the decision of the Executive a formal consultation process has now commenced and runs from 6th October – 1st December 2016.
- 4.4 The results from the consultation (together with a commentary of associated issues and risks) will be reported to the Executive on 7th December and a final decision on the operation of the scheme will be made by Council at the scheduled December meeting or at a special meeting in January.

5 TREASURY MANAGEMENT – MID YEAR UPDATE

- 5.1 The Treasury Management Policy Statement is a high level document, which defines the Council's policies and objectives of its Treasury Management activities.
- 5.2 To comply with the requirements of best practice, the Treasury Management Strategy is reported to members in advance of the forthcoming financial year, (this was approved by the Executive and Council at the February and March meetings) and a mid-year report that covers the following:
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy (5.3).
 - The Council's capital expenditure (prudential indicators) (5.4);
 - A review of the Council's investment portfolio, borrowing strategy and compliance with Treasury and Prudential Limits for 2015/16 (5.5 – 5.7).
- 5.3 The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy for 2016/17 were approved by Council on 1 March 2016. There have been no policy changes to either of these strategies.
- 5.4 The current estimates for capital expenditure and financing arrangements since the capital programme was approved by Council in March 2016 have all previously been reported to the Executive.
- 5.5 The Council's current investment and borrowing portfolios (as at 30 September 2016) are detailed in Table 5. These are in line with the Council's Treasury Management Strategy.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 15
------------------	----------------------------	------------	---------

Table 5	
Investment Portfolio	£'000
Nationwide	4,000
Santander	8,946
Lloyds	3,542
Bank of Scotland	5,470
Other	11
	21,969

Borrowing Portfolio	£'000
PWLB	62,403

- 5.6 The Council's projected closing capital financing requirement (CFR) for 2016/17 is £83.338m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.
- 5.7 Table 6 shows the Council has estimated external borrowings of £58.903m at the 31st March 2017 and has utilised cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.

Table 6	2016/17 Original Budget £'000	2016/17 Current Projection £'000
Gross Borrowing	58,903	58,903
Other Long Term Liabilities*	3,866	3,252
Less Investments	5,877	17,818
Net Borrowing	56,892	44,337
CFR (year end position)	83,786	83,338
Operational Boundary (External Debt)	89,000	89,000
Authorised Limit	94,000	94,000

* The change in Other Long Term Liabilities relates to technical accounting adjustments for the Council's Vehicle Fleet

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 16
-----------	----------------------------	------------	---------

6 **BUSINESS RATES / AUTUMN STATEMENT**

Pooling

- 6.1 Members will recall that when the Government changed the way that the business rates national funding system operated in 2013, Kettering took a leading role in creating a Business Rates Pool for Northamptonshire and administers the Pool on behalf of the Northamptonshire authorities.
- 6.2 The Business Rates Retention Scheme took effect from 1 April 2013 and allowed authorities that experience a growth in business rates income (above treasury targets) to retain some of the money. The growth would be subject to a levy payment to the Government.
- 6.3 The pool has been successful in that it has allowed more funding to be retained locally because the 'levy' that has to be paid to the Government (on business rates growth) is lower in such an aggregate pool position.
- 6.4 Finance colleagues have been administering the pool and having analysed the numbers more growth could be retained locally that would benefit all Northamptonshire authorities.
- 6.5 In 2015/16 the composition of the Northants Business Rates Pool changed. Northampton Borough Council left the Pool and South Northants decided to join the Pool. As a result of these changes the levy payments to government were less and these changes helped contribute to the savings targets detailed in Table 1. There are no proposed changes to the composition of the Business Rates Pool for 2017/18.
- 6.6 As is often said small changes can bring about significant financial benefit – however we should not underestimate the size of the challenge in making these changes.

Consultations

- 6.7 As reported to the September Executive the Council responded to the Government's Consultation on 100% Business Rates Retention. The Government's response will be reported to a future Executive – it is anticipated that the Government will issue a technical consultation on 100% Business Rates Retention later this year.

Autumn Statement

- 6.8 The Chancellor of the Exchequer has announced that the Autumn Statement will be made on 23rd November 2016. Updates on this key announcement and the potential impact on Kettering Borough Council will be reported to the December Executive.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 17
-----------	----------------------------	------------	---------

7 CONSULTATION AND CUSTOMER IMPACT

7.1 None as a direct consequence of this report. However members are reminded that the formal budget consultation period is from 18th January 2017 to 22nd February 2017 when the Council sets its Council Tax for 2017/18. Comments from the consultation process will be reported to the Executive for consideration at its meeting on 15th February 2017.

8 POLICY IMPLICATIONS

8.1 As outlined in the report.

9 USE OF RESOURCES

9.1 As outlined in the report.

10. RECOMMENDATIONS

That the Executive Committee;

10.1 Note the following;

- a. The Council's Medium Term Financial Strategy and associated guiding principles;
- b. The Council's current Medium Term Financial Forecast and the progress being made for the delivery of efficiency savings for 2016/17 and future years;
- c. The Council Tax Support Consultation period will run from 6th October to 1st December 2016;
- d. The Treasury Management performance for the period 1st April – 30th September;
- e. The composition of the Business Rates Pool to remain unchanged in 2017/18 subject to Government agreement.

Background Papers:

Title of Document: Estimate Working Papers

Contact Officers: M Dickenson

Previous Reports/Minutes:

Monthly Durable Budget Reports