

Key Issues Summary

2016/17

- ◆ 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 £1,522,000 of savings were actually delivered – this is being successfully delivered.
- ◆ Since 2010, the Council will have delivered a total of £9.9m of savings by the end of March 2017. The delivery of savings of this magnitude will become increasingly more difficult to achieve.

2017/18

- ◆ Taken in isolation, most of the main issues are 'known' for 2017/18 at this stage.
- ◆ The Council had budgeted for a grant reduction of 16.4% for 2017/18 the provisional figure from the Government was a reduction of 16.3%. Although the reduction was in line with expectations, this still represents a significant reduction in grant and a continued challenge for 2017/18.
- ◆ Prior to the consideration of any council tax increase, it is estimated that **£1,380,000 of 'savings' will be required.** We will start 2017/18 in a similar position to 2016/17 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 2017/18. The remaining 'savings' have also been identified the Council will need to remain focused and stick to its collection of golden rules if these are to be successfully delivered.
- ◆ 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.
- ◆ The Council will need to ensure that it continues to look for ways of generating additional income, whilst ensuring that services continue to be delivered efficiently.
- ◆ Members will need to consider the medium term projections and associated risks when deciding a level of council tax for 2017/18. Given that the level of KBC's Council Tax has been frozen for six years, members will need to seriously consider what a sustainable strategy is

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for its level of Council Tax for 2017/18 (and the medium term) as part of this budget process.

- ◆ **A capital programme of around £25m** is a significant commitment and clearly demonstrates the Council's strategy regarding commercial investments.
- ◆ 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

2018/19 and Beyond

- ◆ 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 2017/18 financial settlement following the authorities decision to accept a four year grant settlement.
- ◆ The levels of uncertainty and reductions in government funding in the medium term are very significant. Changes to NHB funding will result in significant reductions. The major review of business rates is also likely to bring significant change – this will only become clearer as time progresses. Neither of these should be underestimated.
- ◆ The Council's strong and controlled budgetary position is a direct result of the adherence to the guiding principles that have been diligently followed over recent years. The challenges faced in the medium term mean that it is even more important that the guiding principles are followed if the council is to remain in a relatively good financial position.
- ◆ Based upon the assumptions applied, the future years' budgets would require ongoing year on year savings of the following (on top of the £11.3m of ongoing savings achieved since 2010);

2018/19	£1,339,000
2019/20	£1,319,000
2020/21	£ 975,000
2021/22	£ 757,000

- ◆ 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

Appendix A

as it moves to a more self-sufficient business model. It is very important that this is progressed at a pace during 2017/18.

- ◆ 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. Maintaining Council Tax at its current level into the medium term is unlikely to be sustainable.

Other Considerations

- ◆ The projections in all years rest on the Executive's adherence to the "*Guiding Principles*" the "*Modelling for Recovery Principles*" the "*Budget Containment Strategies*" and the "*Prioritisation Golden Rules*" (para 3.4).
- ◆ Whilst the levels of core grant are known the settlement is far from straightforward with a new revaluation list and adjusted tariffs and top ups - it is unclear what the financial landscape will be over the medium term.
- ◆ The assumptions within the Council's Medium Term Financial Strategy will continue to be reviewed and amended where necessary. What will actually happen will only become clearer as time progresses – whilst the Government have announced how New Homes Bonus will operate from 2017/18 there is still significant levels of volatility owing to the uncertainties around Business Rates and the government are also considering transferring new responsibilities to local government.
- ◆ Everybody associated with the Council should feel an enormous sense of achievement by getting to this point. However there, still remains a significant task ahead.