

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 1
<b>Report Originator</b>	Strategic Management Team	Fwd Plan Ref A17/001	
<b>Wards Affected</b>	All	14 <sup>th</sup> June 2017	
<b>Title</b>	<b>MAINTAINING A DURABLE BUDGET</b>		

### Portfolio Holder – Cllr 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 2017/18 and the estimated level of budget savings that may be required over the next few years;
- c) Outline an alternative strategy for New Homes Bonus income following the national changes to the scheme.
- d) Provide members with an update on the draft outturn figures for 2016/17, in relation to;
  - General Fund
  - Housing Revenue Account
  - Capital
  - Treasury Management
- e) Approve the Capital Programme carry forwards from 2016/17 so these form part of the 2017/18 Capital Programme.
- f) Provide an update on Business Rates.

#### 2. BACKGROUND

- 2.1. The Council's 2017/18 budget was approved by Council at its meeting on 1<sup>st</sup> March 2017. 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 2017/18 will be closely monitored throughout the year and any variances will be reported to the Executive as part of the Durable Budget report.

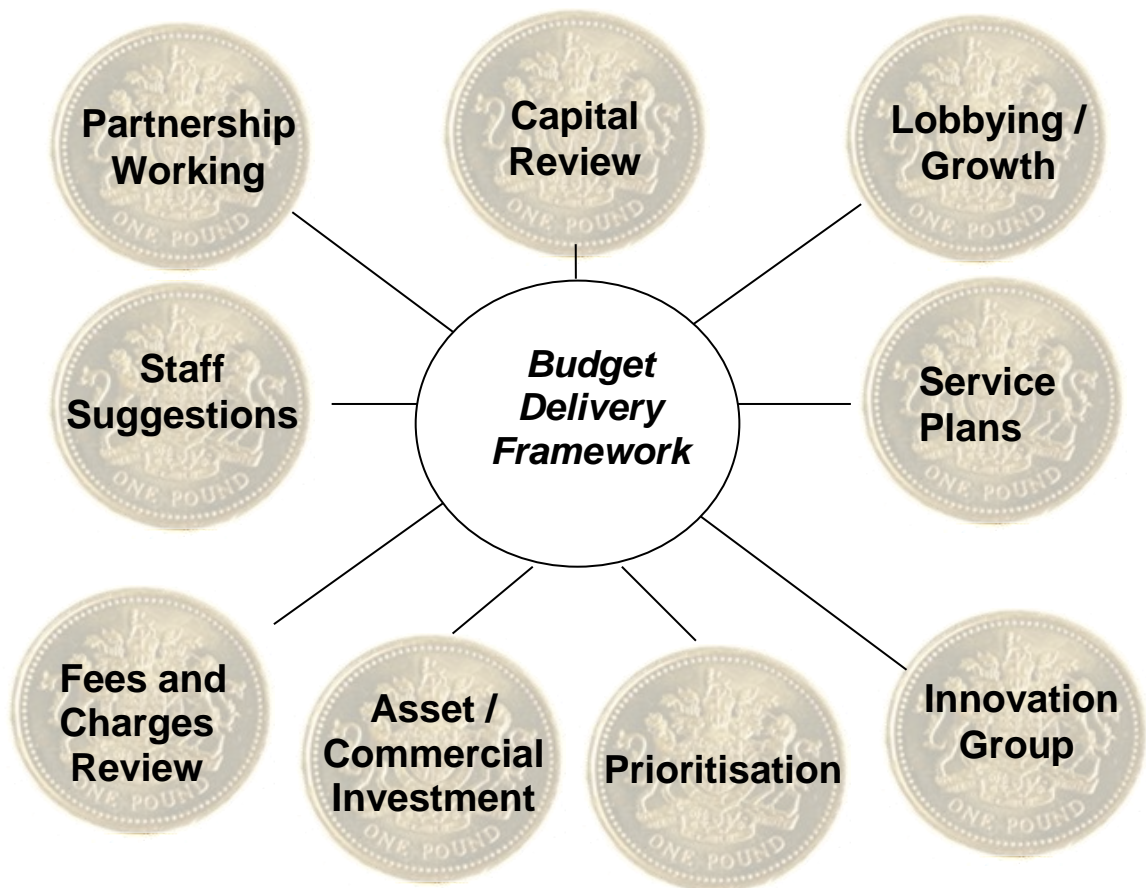
## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE</b>	Item 10	Page 2
-----------	------------------	---------	--------

2.2. Members will appreciate that the strategies the Council has adopted over the past few years have generally kept the authority in a good position from which to move forward. In Kettering, our approach ensured that the Council was able to pro-actively deal with the challenges faced through: -

- ♦ Anticipating and trying to influence major 'Big Ticket' items;
- ♦ Having a well motivated and flexible workforce that is pro-active in helping to deliver services.

2.3. The Council's success in delivering a balanced budget over the past number of years has come from the Budget Delivery Framework however savings of this magnitude are becoming increasingly difficult to maintain. For the Council to remain in the best possible shape in the medium term it will need to ensure that it 'delivers' on all aspects of its budget framework as outlined below:



2.4. The Council has already done an impressive job of delivering around £10m of 'efficiency savings' to date. To have a realistic chance of continuing to balance its budget into the medium term, all of the above frameworks must continue to make a positive contribution – specifically Income and Commercial Investment Schemes. One of these sources alone will not provide the mechanism to set a balanced budget in the medium term, all of them must contribute.

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE</b>	Item 10	Page 3
-----------	------------------	---------	--------

- 2.5. The financial strategies key *'guiding principles'* supplemented by the *'Modelling for Recovery Principles'*, the *'Budget Containment strategies'* and *Prioritisation 'Golden Rules'* have provided a strong cornerstone for the Councils 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*

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 4
------------------	------------------	---------	--------

**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;*
  - *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.*

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 5
------------------	------------------	---------	--------

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.*

2.6. Whereas the above guiding principles have served the Council well over the past number of years, they have remained unchanged for some considerable time now. It was reported to the April Executive that it would make sense for the Council to either re-affirm or refresh these in sufficient time before the next budget process and that late summer would probably be an appropriate time for the Executive Committee to consider this.

### 3. UPDATE OF KEY ISSUES AND BUDGET PROJECTIONS

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

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	Forecast	Forecast	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000	£000
<b>1</b>	<b>Net Council Budget</b>	11,497	10,948	10,704	10,398	9,883	9,766
<b>2</b>	<b>Forecast Resources:</b>						
	<b>Government Grant</b>						
<b>2a</b>	Revenue Support Grant	(1,161)	(546)	(171)	250	0	0
<b>2b</b>	Business Rates	(2,310)	(2,357)	(2,433)	(2,520)	(2,000)	(2,000)
	<b>Total Government Grant</b>	<b>(3,471)</b>	<b>(2,903)</b>	<b>(2,604)</b>	<b>(2,270)</b>	<b>(2,000)</b>	<b>(2,000)</b>
	Council Tax / Coll'n Fund	(250)	(250)	(250)	(200)	(200)	(200)
	Income From Council Tax	(6,254)	(6,415)	(6,511)	(6,609)	(6,708)	(6,809)
	<b>Total Resources</b>	<b>(9,975)</b>	<b>(9,568)</b>	<b>(9,365)</b>	<b>(9,079)</b>	<b>(8,908)</b>	<b>(9,009)</b>
<b>3</b>	<b>Budget (Surplus) / Deficit</b>	<b>1,522</b>	<b>1,380</b>	<b>1,339</b>	<b>1,319</b>	<b>975</b>	<b>757</b>
<b>4</b>	<b>Savings Identified</b>	<b>(1,522)</b>	<b>(1,380)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5</b>	<b>Savings - To be Identified</b>	<b>0</b>	<b>0</b>	<b>(1,339)</b>	<b>(1,319)</b>	<b>(975)</b>	<b>(757)</b>
<b>6</b>	<b>Budget (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
GENERAL FUND WORKING BALANCE							
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
		£000	£000	£000	£000	£000	£000
<b>7</b>	<b>Estimated Opening Balance</b>	<b>(1,415)</b>	<b>(1,425)</b>	<b>(1,435)</b>	<b>(1,435)</b>	<b>(1,435)</b>	<b>(1,435)</b>
<b>8a</b>	Town Centre Initiatives	40	40	0	0	0	0
<b>8b</b>	Transitional Grant	(50)	(50)	0	0	0	0
<b>9</b>	<b>Estimated Closing Balance</b>	<b>(1,425)</b>	<b>(1,435)</b>	<b>(1,435)</b>	<b>(1,435)</b>	<b>(1,435)</b>	<b>(1,435)</b>

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE</b>	Item 10	Page 6
-----------	------------------	---------	--------

3.2 The forecast comprises the following 'Zones'

- ♦ **Zone of Predictability** – covers the 2016/17 and 2017/18 financial year's - for which the level of government funding is known.
- ♦ **Zone of Unpredictability** – The future levels of government grant for the period 2018/19 – 2019/20 are based on indicative figures provided as part of the 2017/18 financial settlement which form part of the 'four year settlement' figures (that were previously reported to this Committee).
- ♦ **Severe Unpredictability** – Based upon the figures in the MTFs, the Council would need to identify and deliver further savings of around £1m in 2020/21 and around £750,000 in 2021/22. Of course, these can only be high level assumptions at the present time.

### 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 level of government grant is known for both 2016/17 and 2017/18.*

*The future levels of government grant for the period 2018/19 – 2019/20 are based on indicative figures provided as part of the 2017/18 financial settlement which form part of the 'four year settlement' figures*

*The financial landscape is expected to change significantly from 2020/21 when the new Business Rates Retention Scheme is implemented by the Government. The Government had initially brought the implementation forward from 2020/21 to 2019/20 – however the General Election may force this back to the original implementation date of 2020/21.*

- 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 made a further*

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE</b>	Item 10	Page 7
-----------	------------------	---------	--------

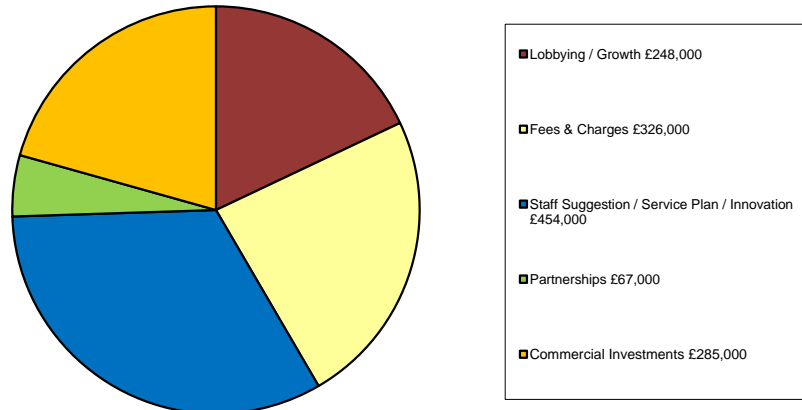
*adjustment in 2019/20 whereby the Council rather than receiving a grant is making a payment to the Government of £250,000 this is reflected in line 2a.*

- 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 2017/18.*
- 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 Members should be aware that the indicative savings levels for the period 2018/19 onwards are subject to a number of high level assumptions. Whilst as part of the ‘four year settlement’ indicative levels of grant funding have been provided for 2018/19 and 2019/20. The future levels of grant from 2020/21 are much more uncertain and are a best estimate as the Business Rates Retention Scheme will have completely changed by 2020/21 (if not before). The scale of the financial challenges from this point onwards will be highly dependent on how the Business Rates Retention Scheme operates over the next five years.
- 3.4 From Table 1 it can be seen that the Council’s budget delivery framework will need to deliver £1,380,000 of savings in 2017/18 to maintain a balanced budget. The assumptions will need to be kept under close review during 2017/18. The identified savings are summarised in Chart 1:

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 8
------------------	------------------	---------	--------

**Chart 1  
Framework Savings for the Current Year (2017/18)**



3.5 Table 2 illustrates how the 2017/18 savings are to be delivered - around 1/3 of the total savings target is to be delivered through reduced expenditure and around 2/3 is to be delivered through increased income.

<b>Table 2 – Framework Savings 2017/18</b>			
<b>Framework</b>	<b>Additional Income</b>	<b>Reduced Expenditure</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Lobbying / Growth	248	0	248
Fees & Charges	326	0	326
Staff Suggestion / Service Plan / Innovation	0	454	454
Partnerships	6	61	67
Commercial Investments	285	0	285
<b>Total</b>	<b>865</b>	<b>515</b>	<b>1,380</b>



## BOROUGH OF KETTERING

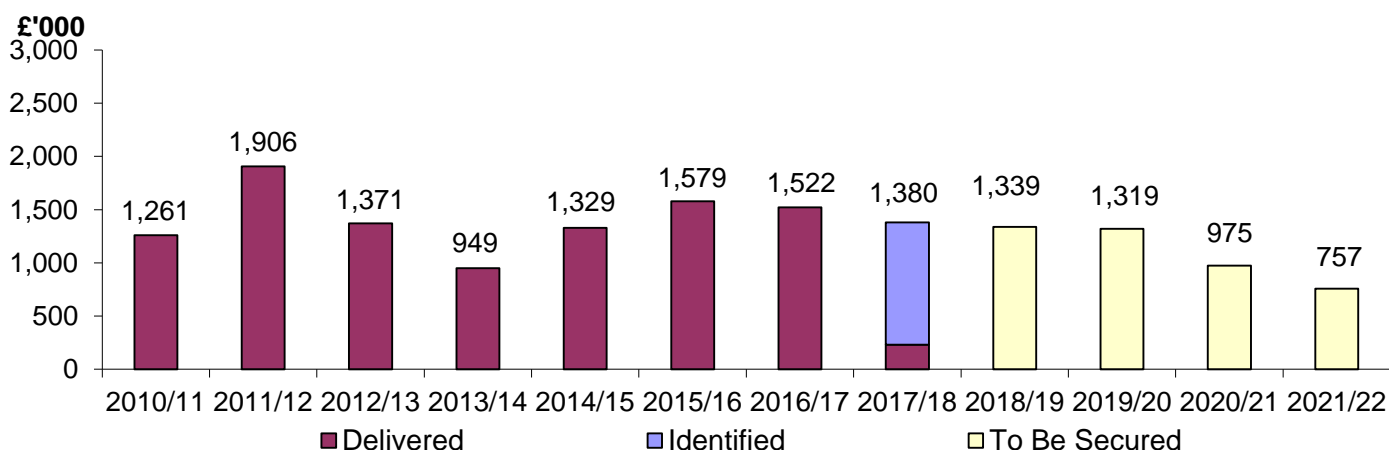
<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 9
------------------	------------------	---------	--------

3.6 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 Council's Swing – o – meter as detailed at Appendix A.

3.7 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 £9.8m have been identified and delivered between 2010/11 – 2016/17;
- Savings of £1.380m have been identified and are being delivered in 2017/18;
- Savings of around £4.4m need to be identified and delivered over the next four years (2018/19 – 2021/22).

### Efficiency Savings



### GENERAL FUND – 2018/19

3.8 As well as monitoring framework savings identified for 2017/18 work continues on identifying savings for the following year – 2018/19. Members are reminded of the current Medium Term Financial Forecast which required an additional £1,339,000 of ongoing savings to balance the budget in 2018/19.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 10
------------------	------------------	---------	---------

- 3.9 Members will recall that a review on the future Car Parking Charging Strategy was to be undertaken. It is anticipated that a report will be presented in the autumn to link into the budget process.

### **New Homes Bonus**

- 3.10 The Council's base budget for 2017/18 includes £1.555m for New Homes Bonus. The MTFs (Table 1) is currently modelling a reduction of New Homes Bonus income of £275,000 in both 2018/19 and 2019/20. The total income being modelled for NHB is £1.280m in 2018/19 and £1.005m in 2019/20.

- 3.11 Members are reminded that the following changes were made to the New Homes Bonus Scheme: -

- A baseline was introduced from 2017/18 whereby housing growth below 0.4% will not receive any New Homes Bonus funding - the Government have retained the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.
- Funding will be reduced from 6 years to 5 years' worth of payments in 2017/18 and will then reduce to 4 years' worth of payments from 2018/19 onwards.
- From 2018/19, the government will consider withholding payments from local authorities that are not "planning effectively, by making positive decisions on planning applications and delivering housing growth". A consultation is planned regarding withholding payments for homes that are built following an appeal.

- 3.12 Although the Council has not brought 100% of the new homes bonus funding into the base budget, the cash totals that are being applied are significant in terms of their absolute value. It was estimated that the Council would receive around £3m in New Homes Bonus if there were no changes to the scheme in 2017/18. The same strategy prior to the changes in funding levels has been applied in 2017/18 as in previous years resulting in around £1.555m (68%) of NHB funding being included in the Councils General Fund Budget. For ease of reference the current NHB strategy is detailed in Table 3.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 11
------------------	------------------	---------	---------

<b>Table 3. - Current New Homes Bonus Strategy</b>							
	2011/12 %	2012/13 %	2013/14 %	2014/15 %	2015/16 %	2016/17 %	2017/18 %
Year 1 - 2011/12	100%	100%	100%	100%	100%	100%	0%
Year 2 - 2012/13	0%	50%	50%	75%	80%	83%	100%
Year 3 - 2013/14	0%	0%	25%	50%	60%	64%	83%
Year 4 - 2014/15	0%	0%	0%	25%	40%	47%	64%
Year 5 - 2015/16	0%	0%	0%	0%	20%	30%	47%
Year 6 - 2016/17	0%	0%	0%	0%	0%	13%	30%
Year 7 - 2017/18	0%	0%	0%	0%	0%	0%	13%
<b>Amount incorporated into GF Budget</b>	£343,000	£612,000	£697,000	£1,012,000	£1,234,000	£1,407,000	£1,555,000
<b>% of NHB included in the budget</b>	100%	70%	57%	63%	58%	54%	68%

3.13 Whilst figures for 2017/18 are known, the figures for the period 2018/19 – 2021/22 are not known in full however the Council is able to better estimate the levels of NHB funding following the recent announcements (although this is dependent on Housing Growth and the outcome of the consultation regarding withholding payments for homes that are built on appeal).

3.14 In light of the scale of savings required in the medium term and the absolute cash sums for New Homes Bonus reducing due to the national changes detailed in 3.10 it is considered sensible to amend this strategy. Whilst the Council's General Fund budget for 2017/18 has 68% reliance on NHB income – the level of reliance on NHB would have to increase in order maintain similar cash levels. Table 4 provides a summary of the proposed amended strategy

<b>Table 4. - Proposed New Homes Bonus Strategy</b>				
	2018/19 %	2019/20 %	2020/21 %	2021/22 %
2015/16	69%	0%	0%	0%
2016/17	80%	80%	0%	0%
2017/18	82%	74%	73%	0%
2018/19	100%	100%	100%	100%
2019/20	0%	100%	100%	100%
2020/21	0%	0%	100%	100%
2021/22	0%	0%	0%	100%
<b>Amount incorporated into GF Budget</b>	£1,555,000	£1,500,000	£1,450,000	£1,400,000
<b>% of NHB included in the budget</b>	81%	86%	91%	100%

3.15 The proposed strategy at Table 4 would reduce the savings targets currently being modelled in the Councils MTFS by £395,000. The impact in each year would be as follows and the MTFS would be remodelled to reflect this change.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 12
------------------	------------------	---------	---------

- 2018/19 - Reduce Savings Target £275,000
- 2019/20 - Reduce Savings Target £220,000
- 2020/21 - Increase Savings Target £50,000
- 2021/22 - Increase Savings Target £50,000

3.16 It is important for members to note that amending the figures that are being included in the Council's MTFS for NHB, is at this stage a simple reflection of how the scheme is working going forward. The assumptions will be kept under constant review, specifically as part of the new formal budget process.

### HOUSING REVENUE ACCOUNT 2017/18 – CURRENT FINANCIAL YEAR

3.17 A summary of HRA monitoring at 30<sup>th</sup> April 2017 is shown in Table 5. The Housing Revenue Account is currently projected to come in on budget.

<b>Table 5 - HRA</b>	<b>Current Budget</b>	<b>Projected Outturn</b>	<b>Variance</b>
	£'000	£'000	£'000
Gross Expenditure	15,586	15,586	0
Gross Income	(15,586)	(15,586)	0
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

### CAPITAL 2017/18 – CURRENT FINANCIAL YEAR

3.18 A summary of the projected Capital Programme outturn monitoring statement as at 30<sup>th</sup> April 2017 is shown in Table 4.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 13
------------------	------------------	---------	---------

Table 4 - Capital	Current Budget	Projected Outturn	Variance
	£'000	£'000	£'000
<b>Expenditure</b>			
HRA Schemes	4,001	4,001	0
General Fund Schemes	21,772	21,772	0
	<b>25,773</b>	25,773	0
<b>Financing</b>			
Capital Receipts	1,006	1,006	0
Prudential Borrowing	21,007	21,007	0
Revenue Contribution	3,233	3,233	0
Grants and Contributions	527	527	0
	<b>25,773</b>	25,773	0
<b>Net Expenditure</b>	0	0	0

#### 4 OUTTURN 2016/17

4.1 This section provides members with a summary of the outturn figures for last financial year (2016/17). The analysis covers the Council's three main accounts (plus an update on Treasury Management) and is split as follows;

- ◆ General Fund
- ◆ Housing Revenue Account
- ◆ Capital Programme
- ◆ Treasury Management

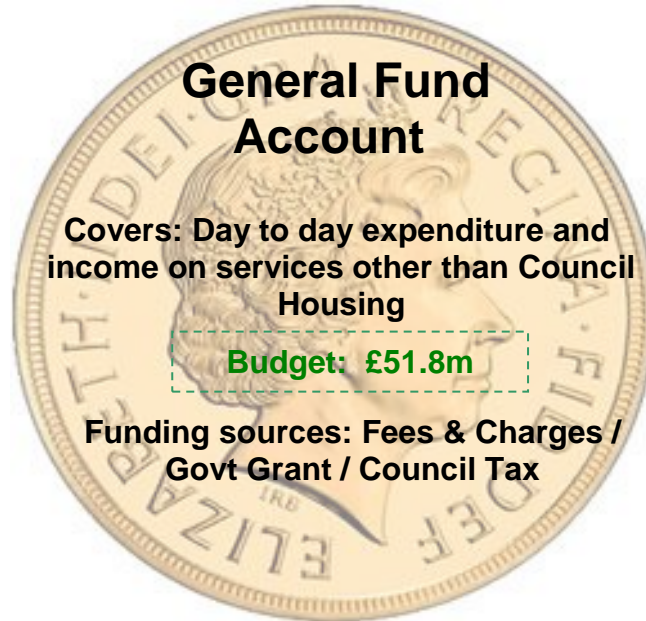
4.2 The closedown process for the 2016/17 accounts is now complete subject to external audit validation, which will take place between June and July 2017. Once audited the accounts will be formally reported to members in accordance with the statutory requirements.

#### **General Fund Revenue Account**

4.3 Members are reminded that the General Fund account is the account that contains the majority of the Council's everyday service expenditure (excluding spending on council housing).

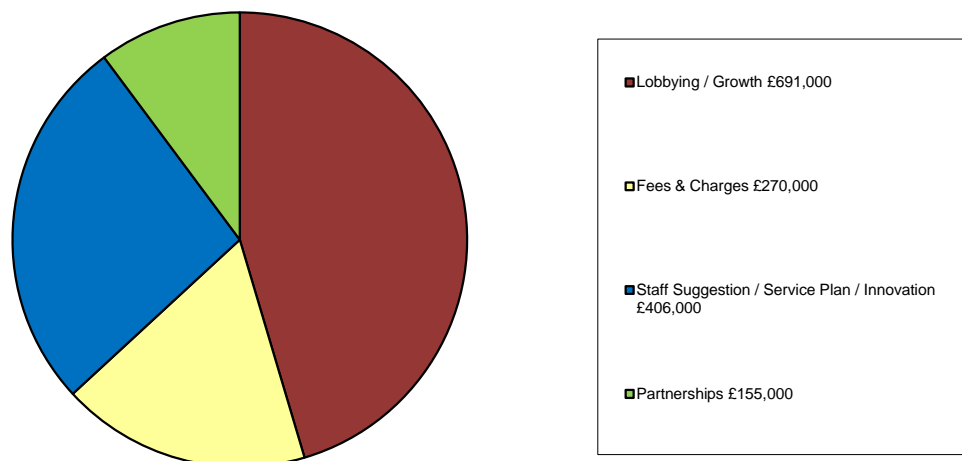
BOROUGH OF KETTERING

Committee	<b>EXECUTIVE</b>	Item 10	Page 14
-----------	------------------	---------	---------



4.4 When the Council considered the budget for 2016/17, the budget delivery framework needed to identify £1,522,000 of additional efficiency measures to set a balanced budget for the year. This was primarily to deal with the impact of reduced central government 'core' grant. Chart 2 shows how the budget 'gap' was closed.

**Chart 2**  
**Identified Framework Savings for the current Year (2016/17)**



## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 15
------------------	------------------	---------	---------

4.5 In addition to achieving the original challenging efficiency savings target, the Council's outturn position has delivered further efficiency savings of £44,000. The reasons for these variances are detailed in Table 5 – most of which relate to 'one-off' savings;

Table 5 - General Fund Variances	£000
Additional Income from Recovered Housing Benefit Payments	(277)
Lower Borrowing Costs	(200)
Transitional Grants	(124)
General Contingency	(100)
Additional Income	(76)
Revenue Contribution to Capital	705
Staffing and staff related	263
Homelessness	121
Net other variations	(356)
<b>Total</b>	<b>(44)</b>

4.6 Members will recall that the financial landscape changed significantly from April 2013 following the Government's introduction of the Business Rates Retention Scheme prior to this date all Business Rates were pooled and distributed nationally there was no risk or reward for authorities who collected more or less in Business Rates. However from 1 April 2013 local authorities would receive a reward where there is growth in Business Rates and would see a reduction in grant if there was a decline in Business Rates.

4.7 The Council takes a prudent view and resilience tests savings before they are incorporated into the budget as such any growth from the Business Rates Retention Scheme would only be reflected in the budget when the growth has actually been delivered. This approach ensures that only growth that has been delivered is budgeted and secondly will act as a smoothing strategy should there be an adverse impact when the scheme is reset in either 2019 or 2020.

4.8 It should be noted that a further favourable variance of £565,000 resulting from timing variances occurred from the Business Rates Retention Scheme during 2016/17. Due to the technical nature and the accounting arrangements for Business Rates being spread over three years a cost of around £815,000 will need to be accounted for over the next two years, which can be met from the Business Rates Reserve.

4.9 The final outturn figures are now subject to validation by external audit. The savings are a combination of some early 'locking in' of the savings that are required for 2017/18 and one off items.

4.10 Overall, the outturn for the General Fund is pleasing for the following reasons;

- ◆ Early implementation of identified savings;

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 16
------------------	------------------	---------	---------

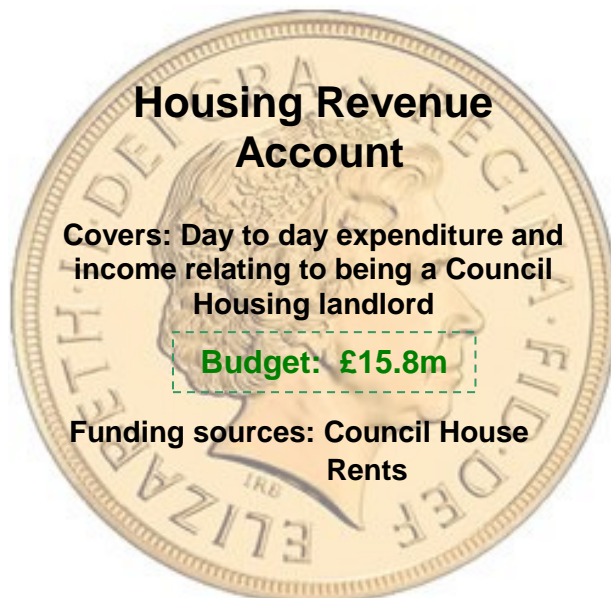
- ◆ The budget delivery framework has successfully engaged staff at all levels;
- ◆ The early delivery of the savings required for 2017/18 allows attention to be turned to savings for future years;
- ◆ Additional flexibility and resources have been secured to help pump prime delivery of future years' savings and protect against possible future burdens.

4.11 After taking account of contributions to reserves and balances the Council's General Fund working balance remained at £1.415m – this is still in line with the Council's Medium Term Financial Strategy '*guiding principles*'.

4.12 The savings made give confidence that the Council remains “ahead of the curve” in delivering the Medium Term Financial Strategy and whilst the Council's delivery of efficiencies and savings is to be commended, the challenges that are to be faced in future years remain both significant and unprecedented.

**Housing Revenue Account**

4.13 Members are reminded that the Housing Revenue Account is a ring-fenced account for day to day income and expenditure relating to the Council's role as a Housing Landlord.



4.14 The Housing Revenue Account's budget for 2016/17 was £15.8m. The actual spend for 2016/17 was £350,000 lower than the budget, this has enabled the capital programme to be funded in full resulting in no borrowing. The main variances relate to the contingency budget of £150,000 not being used and the contribution to bad debts being £87,000 less than budget.

4.15 The Housing Revenue Account balance has remained unchanged at £850,000. This is in line with the Council's Medium Term Financial Strategy which states



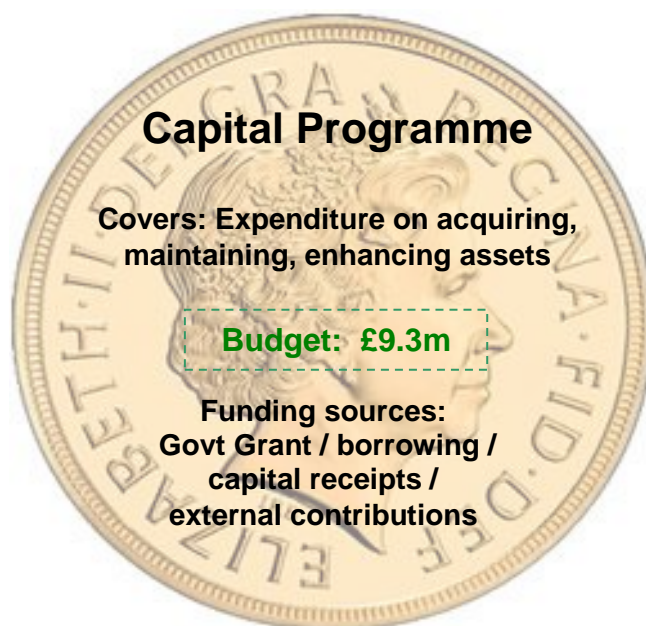
## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 17
------------------	------------------	---------	---------

the account must operate in a surplus position and this is achieved by adopting the principle that an agreed minimum balance of £300,000 should be the primary strategic aim over the medium to long term.

### Capital Programme

4.16 Members are reminded that the Capital Programme is used for the acquisition, improvement and enhancement of the Council's assets.



4.17 Overall, the expenditure during 2016/17 was £6m compared to the revised budget of £9.3m (i.e.65% of the approved programme was actually spent).

4.18 The Capital Programme after taking account of budget carry forwards to 2017/18, which are subject to Executive Approval will result in 98.6% of the budget being spent.

4.19 The major variation related to the commercial property scheme other major variations are outlined in Table 6. Appendix B sets out capital budgets to be carried forward to 2017/18, which requires the approval of the Executive.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 18
------------------	------------------	---------	---------

<b>Table 6 - Capital Programme Outturn 2016/17</b>	Revised Estimate	Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Council Home Improvement Programme	4,936	4,494	(442)
Private Sector Housing Improvement	738	558	(180)
Investment & Repair Programme	425	311	(114)
Community Project Schemes	193	180	(13)
E Government Investment Programme	269	264	(5)
Invest to Save Projects	2,744	195	(2,549)
<b>Total Capital Expenditure</b>	<b>9,305</b>	<b>6,002</b>	<b>(3,303)</b>

**Treasury Management – Current Position**

4.20 The Council's debt and investment position at the beginning and the end of the year is set at in Table 7:

<b>Table 7</b>	<b>31<sup>st</sup> March 2016</b>		<b>31st March 2017</b>	
	<b>Principal</b>	<b>Rate / Return</b>	<b>Principal</b>	<b>Rate / Return</b>
<b>Total Investments</b>	<b>£16.360m</b>	<b>0.59%</b>	<b>£18.701m</b>	<b>0.53%</b>
<b>Total Debt</b>	<b>£65.490m</b>	<b>2.73%</b>	<b>£61.435m</b>	<b>2.91%</b>

	<b>Rate of Return</b>
Council Portfolio	0.53%
Benchmark – 3 Month LIBID	0.39%

4.21 As previously reported the Council has for a number of years effectively used its cash reserves to finance General Fund borrowing instead of borrowing money externally. Reserves are therefore not cash-backed and the Council would need to borrow if it wanted to use a significant proportion of its reserves. This strategy is prudent in the current economic climate where investment returns are low and counterparty risk is high.

**Compliance with Treasury Limits and Prudential Indicators**

4.22 During the financial year the Council operated within its treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 19
------------------	------------------	---------	---------

Annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix C.

### **5 NATIONAL POLICY UPDATES**

#### Business Rates

- 5.1 It was reported to the April Executive that the consultation on the design of the reformed '100%' Business Rates Retention scheme' usefully included a high level timetable from the Government about their intended timeline to introduce the new 100% Business Rates Retention system.
- 5.2 The timeline was useful in helping to clarify a few issues – in particular that it was the Government's stated intention to have the new arrangements operational by April 2019. However following the Government's announcement on 18th April that a General Election will take place on 8th June the necessary legislation to make this happen did not make it through the parliamentary approval process. Accordingly, the timescale to make this happen will need to be determined by the new government after the General Election – if indeed such changes remain a Government priority.

### **6 CONSULTATION AND CUSTOMER IMPACT**

- 6.1 As outlined in the report.

### **7 POLICY IMPLICATIONS**

- 7.1 As outlined in the report.

### **8 USE OF RESOURCES**

- 8.1 As outlined in the report.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE</b>	Item 10	Page 20
------------------	------------------	---------	---------

### 9. RECOMMENDATIONS

That the Executive;

9.1 Note the following:

- a. Note the Council's Medium Term Financial Strategy and associated guiding principles;
- b. Note the key updates made in the Budget 2017 the continued uncertainty this brings to the Council's Medium Term Financial Strategy – especially in relation to potential changes to local government funding.
- c. The draft out-turn position for 2016/17 for the General Fund, Housing Revenue Account, Capital Programme and Treasury Management;

9.2 Approve the amended New Homes Bonus Strategy as detailed in Table 4.

9.3 Approve the Capital Programme carry forwards from 2016/17 (as detailed in Appendix B).

Background Papers:

Title of Document: Estimate Working Papers

Contact Officers: M Dickenson

Previous Reports/Minutes:

Monthly Durable Budget Reports