

BOROUGH OF KETTERING

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Report Originator	Head of Resources Mark Dickenson	1 st February 2018	
Title	DRAFT BUDGET PROPOSALS FOR 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY		

1. PURPOSE OF REPORT

- 1.1 Kettering Borough Council's draft budgets for 2018/19 were considered by the Executive Committee at its meeting of 17th January 2018. The Executive endorsed the draft budgets for consultation and the formal consultation period runs from 17th January 2018 to the 28th February 2018 (when the budget is formally considered by full Council).
- 1.2 A copy of the Executive budget report, appendices and record of decisions from its meeting of 17th January 2018 can be obtained from Democratic Services or accessed via the Council Website using the following link
http://www.kettering.gov.uk/meetings/meeting/1605/executive_committee
- 1.3 The Council's medium term financial forecast as reported to the January Executive is reproduced at **Appendix A** together with supporting notes.
- 1.4 The Council's formal Budget Consultation meeting was held on 25th January 2018 to hear the views of Town and Parish Councils and any other stakeholders or residents about the draft budget.
- 1.5 It is not the intention to re-run the Budget Consultation presentation at this meeting, however the key issues will be outlined to the Forum and it provides an opportunity to clarify any issues and make comments.

2. KEY ISSUES

- 2.1 As outlined in the previous section, members will need to read the draft budget report (and supporting appendices). Given the amount of detail in that report, the key issues summary from that report is reproduced in the following paragraphs for ease of reference;

2017/18

- 2.2 The Council has continued to use its own specific 'budget delivery framework' for the delivery of savings. The challenge was to turn the 'paper based savings exercise' into reality so that the £1,380,000 of savings were actually delivered – this is being successfully delivered.
- 2.3 Since 2010, the Council will have delivered a total of £11.3m of savings by the end of March 2018. The delivery of savings of this magnitude will become increasingly more difficult to achieve.

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2018/19

- 2.4 Taken in isolation, most of the main issues are 'known' for 2018/19 at this stage.
- 2.5 The Council had budgeted for a grant reduction of £299,000 for 2018/19 the provisional figure from the Government was a reduction of £304,000 (10.5%). Although the reduction was in line with expectations, this still represents a significant reduction in grant and a continued challenge for 2018/19.
- 2.6 Prior to the consideration of any council tax increase, it is estimated that **£1,473,000 of 'efficiency savings' will be required.** We will start 2018/19 in a similar position to 2017/18 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 2018/19. The remaining 'savings' have also been identified the Council will need to remain focused and stick to its Financial Golden Rules and Financial Guiding Principles if these are to be successfully delivered.
- 2.7 The Council's strong and controlled budgetary position is a direct result of the adherence to the guiding principles that have been diligently followed over recent years. It remains important that the guiding principles are followed if the council is to remain in a relatively good financial position. This financial discipline is a pre-requisite of any future financial strategy.
- 2.8 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.
- 2.9 Members will need to consider the medium term projections and associated risks when deciding a level of council tax for 2018/19. Given that the level of KBC's Council Tax has been frozen for seven years, members will need to seriously consider what a sustainable strategy is for its level of Council Tax for 2018/19 (and the medium term) as part of this budget process.
- 2.10 **A capital programme of around £15m** is a significant commitment and clearly demonstrates the Council's strategy regarding commercial investments.
- 2.11 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".

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The Medium Term

2019/20 and Beyond

- 2.12 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 2018/19 financial settlement following the Council's previous decision to accept a four year grant settlement from the Government.
- 2.13 The levels of uncertainty and reductions in government funding in the medium term are very significant. The Government has published a consultation on a new funding methodology, for funding changes from 2020-21. In effect, the review will look at what factors should initially drive the allocation of government core funding to each local authority – principally looking at factors which drive 'need' – this will be a very important review for all sectors of local government.
- 2.14 Further changes are anticipated to Business Rates whereby the local share for Business rate retention increases from 50% to 75% by 2020/21 this will include a transfer of public health and other grants and will include either a full or partial reset to the Business Rates baseline in 2020/21.
- 2.15 Authorities should not underestimate the potential ramifications of changes to baselines for measuring growth whilst moving to a 75% scheme appears that more growth will be retained locally this will be dependent on where the baseline is set as growth will only be paid above the baseline level and any increase to the baseline will reduce the amount of retained growth.
- 2.16 Both the resetting of the baseline and the review of the funding formula could have a significant impact on the Council's Medium Term Financial Strategy.
- 2.17 The Government have retained the option of making adjustments to New Homes Bonus funding from 2019/20 by adjusting the baseline to reflect significant and unexpected housing growth. The baseline in 2018/19 is 0.40% of the total housing stock an increase in the baseline would result in less New Homes Bonus funding. At this stage it is unclear where the baseline will be set for 2019/20 and the years thereafter.
- 2.18 The Council's strong and controlled budgetary position is a direct result of the adherence to the guiding principles that have been diligently followed over recent years. The challenges faced in the medium term mean that it is even more important that the guiding principles are followed if the council is to remain in a relatively good financial position.
- 2.19 Based upon the assumptions applied, the future years' budgets would require ongoing year on year efficiency savings of the following (on top of the £12.7m of ongoing savings achieved since 2010);

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2019/20	£1,021,000
2020/21	£ 965,000
2021/22	£ 975,000
2022/23	£ 660,000

2.20 The Council continues to develop a more commercial approach to ensure that its income base remains buoyant a key component of this is asset acquisition.

2.21 Maintaining Council Tax at its current level into the medium term is unlikely to be sustainable, particularly with the impending reviews of 'needs' based funding.

Other Considerations

2.22 The projections in all years rest on the Executive's adherence to the "*Financial Golden Rules and Financial Guiding Principles* (para 3.5).

2.23 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 uncertainty over the base line in future years and there is significant volatility owing to the uncertainties around Business Rates.

Background Papers:

Title of Document:
Contact Officer: Mark Dickenson (ext 4303)

Previous Reports/Minutes:

Monthly Durable Budget Reports
Budget Consultation (Jan 18)