

BOROUGH OF KETTERING

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Report Originator	Strategic Management Team	<i>Fwd Plan Ref No: A17/062</i>	
Wards Affected	All	23 rd May 2018	
Title	DURABLE BUDGET REPORT		

Portfolio Holder: Councillor Lesley Thurland

1 PURPOSE OF REPORT

The purpose of the report is to:

- a) Remind Members of the context / background to the council's budget and medium term financial strategy;
- b) Illustrate the latest budget model, the delivery of efficiency savings for 2018/19 and the estimated level of budget savings that may be required over the next few years;
- c) Consider a suite of budget guiding principles for the Housing Revenue Account
- d) To update members on the vehicle fleet procurement for the shared street scene service and approve the procurement of Corby's fleet.

2. BACKGROUND

2.1. The Council's 2018/19 budget was approved by Council at its meeting on 28th February 2018. 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 2018/19 will be closely monitored throughout the year and any variances will be reported to the Executive as part of the Durable Budget report.

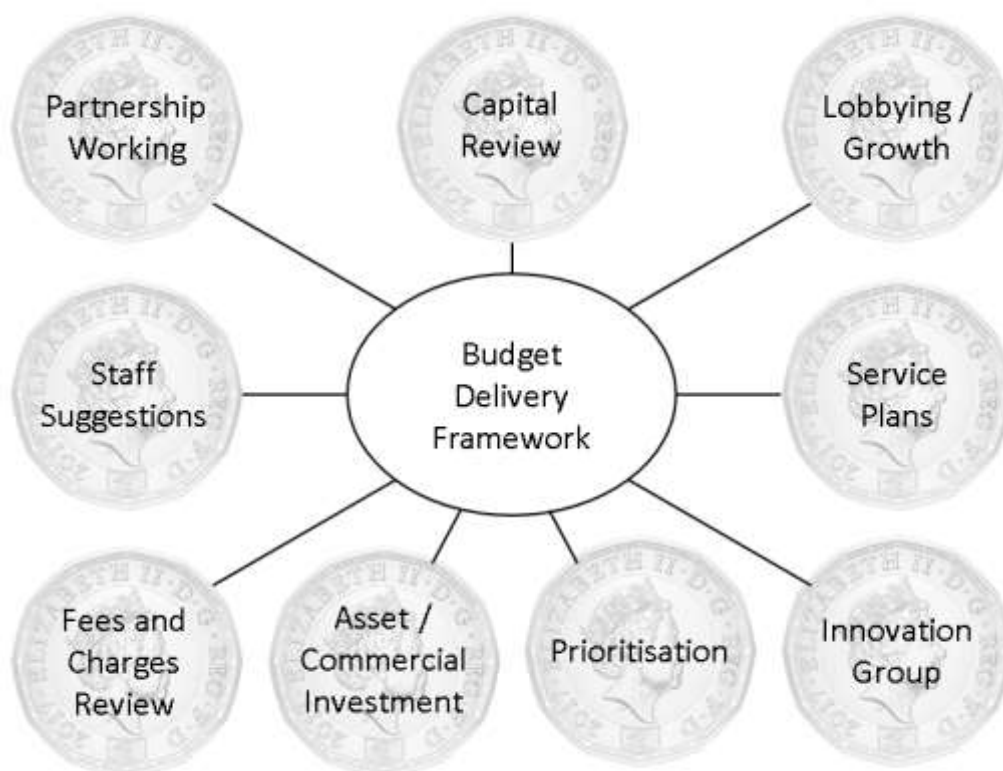
2.2. Members will appreciate that the strategies the Council has adopted over the past few years have generally kept the authority in a good position from which to move forward. In Kettering, our approach ensured that the Council was able to pro-actively deal with the challenges faced through: -

- ◆ 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.

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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 £11.3m of 'efficiency savings' to date. The Council's financial 'golden rules' and the financial 'guiding principles' provide a strong basis for the Council's medium term financial strategy. Both of these are specifically for the Council's General Fund budgets (revenue and capital) – for ease of reference these are reproduced below:

Financial Golden Rules;

- a. The General Fund Working Balance should not fall below £1m or 10% of net revenue expenditure (whichever is the greater);
- b. When setting the level of council tax, members should always consider the medium term outlook to ensure that a sustainable budget position is maintained;
- c. The Council must always ensure that adequate funding is provided to cover all of its statutory and regulatory responsibilities;

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- d. Should the Council decide to allocate significant additional / new funding to a specific service – it should identify where the required funding is coming from (or compensating savings are to be made);
- e. When setting the Capital Programme, in addition to meeting statutory responsibilities, priority will be given to schemes that are beneficial to the council's overall revenue budget position;
- f. The council must ensure that it has an overall level of revenue reserves that are appropriate for the overall level of risks that the organisation faces – including potential national funding changes;
- g. In line with the council's investment strategy, the council will look to invest in schemes that will have a positive impact over the medium term on its budget position including taking out long-term debt financing (where there is an appropriate business case).

Financial Guiding Principles;

- i. When funding for a specific service is reduced / withdrawn (from national government or another provider) the council should not substitute itself as a provider or funder of the service – unless there are exceptional circumstances;
- ii. When considering the Capital Programme, due regard is given to ensure that existing council assets are properly maintained;
- iii. Where decisions are required about the priority of funding for services, the following is followed;

Priority 1 - Statutory Requirements

Priority 2 – Fit to Council Objectives of;

- ◆ Better Town Centres
- ◆ Better Jobs
- ◆ Better Education Offer

- iv. Continue to seek strategic partnerships with other public sector providers to help protect services for our residents – especially those that help promote economies of 'scope' rather than 'scale';
- v. To maximise the resources that are available to the authority, the council will continue to actively lobby the Government on relevant issues.

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Housing Revenue Account Guiding Principles

2.5. The budgeted income and expenditure for the Housing Revenue Account (HRA) for 2018/19 amounts to around £15m. The HRA is a ring-fenced account and rents paid by tenants are reinvested back into the landlord function associated with managing around 3,800 properties.

2.6. In previous years the focus on golden rules and guiding principles has been more focused towards the General Fund. The following paragraph of this report considers a suite of guiding principles for the HRA that can be used in the 2019/20 budget process these were reported and discussed at the Tenants Forum meeting on 10th May 2018.

HRA Financial Golden Rules;

- a. *The Housing Revenue Account Working Balance should not fall below £300,000;*
- b. *When setting the level of rents, members should always consider the national policy position;*
- c. *The Council must always ensure that adequate funding is provided to cover all of its statutory and regulatory responsibilities;*
- d. *Should the Council decide to allocate significant additional / new funding to a specific service – it should identify where the required funding is coming from (or compensating savings are to be made);*
- e. *The council must ensure that it has an overall level of revenue reserves that are appropriate for the overall level of risks that the HRA faces – including potential national funding and policy changes.*

HRA Financial Guiding Principles;

- i. *When funding for a specific service is reduced / withdrawn (from national government or another provider) the council should not substitute itself as a provider or funder of the service – unless there are exceptional circumstances.*
- ii. *When setting the HRA budgets and considering the HRA Capital Programme, due regard is given to ensure that expenditure protects the long term viability of the Council’s housing stock by making sure the assets are properly maintained and have the ability to meet the Borough’s housing needs.*
- iii. *Where decisions are required about the priority of funding for services, the following is followed;*

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Priority 1 - Statutory Requirements

Priority 2 – Investment in Existing Housing Stock

Priority 3 – Fit to Housing Strategy of;

- ◆ *Increasing housing supply across all tenures*
 - ◆ *Ensuring safe and healthy homes, reducing the opportunity for crime and anti-social behavior*
 - ◆ *Helping people to live independently*
- iv. *Continue to seek strategic partnerships with other public sector providers to help protect services for our residents – especially those that help promote economies of ‘scope’ rather than ‘scale’;*
- v. *To maximise the resources that are available to the authority, the council will continue to actively lobby the Government on relevant issues.*

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3. UPDATE OF KEY ISSUES AND BUDGET PROJECTIONS

3.1 The Council's General Fund Medium Term Financial Strategy is reproduced in Table 1 – notes to the Medium Term Financial Forecast are included at Appendix A.

TABLE 1 - MEDIUM TERM FINANCIAL FORECAST							
		Zone of "Predictability"			Zone of "Unpredictability"		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000	£000
1	Net Council Budget	10,948	10,893	9,975	9,783	9,894	9,682
2	Forecast Resources:						
	Government Grant						
2a	Revenue Support Grant	(546)	(171)	250	0	0	0
2b	Business Rates	(2,357)	(2,428)	(2,484)	(2,000)	(2,000)	(2,000)
	Total Government Grant	(2,903)	(2,599)	(2,234)	(2,000)	(2,000)	(2,000)
	Council Tax / Coll'n Fund	(250)	(300)	(100)	(100)	(100)	(100)
	Income From Council Tax	(6,415)	(6,521)	(6,620)	(6,718)	(6,819)	(6,922)
	Total Resources	(9,568)	(9,420)	(8,954)	(8,818)	(8,919)	(9,022)
3	Budget (Surplus) / Deficit	1,380	1,473	1,021	965	975	660
4	Efficiencies Identified	(1,380)	(1,473)	0	0	0	0
5	Efficiencies - To be Identified	0	0	(1,021)	(965)	(975)	(660)
6	Budget (Surplus) / Deficit	0	0	0	0	0	0
GENERAL FUND WORKING BALANCE							
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		£000	£000	£000	£000	£000	£000
7	Estimated Opening Balance	(1,415)	(1,425)	(1,385)	(1,345)	(1,305)	(1,305)
8a	Town Centre Initiatives	40	40	40	40	0	0
8b	Transitional Grant	(50)	0	0	0	0	0
9	Estimated Closing Balance	(1,425)	(1,385)	(1,345)	(1,305)	(1,305)	(1,305)

3.1 The forecast comprises the following 'Zones'

- ♦ **Zone of Predictability** - covers the 2017/18 and 2018/19 financial year - for which the level of government funding is known. The government funding for 2019/20 is based on indicative figures provided as part of the 2018/19 financial settlement which form part of the 'four year settlement' figures.
- ♦ **Zone of Unpredictability** – This covers the period from 2020/21 which is when it is anticipated that the fairer funding formula review and Business Rates will be reset. Based upon the figures in the MTFs, the Council would need to identify and deliver further efficiencies of around;

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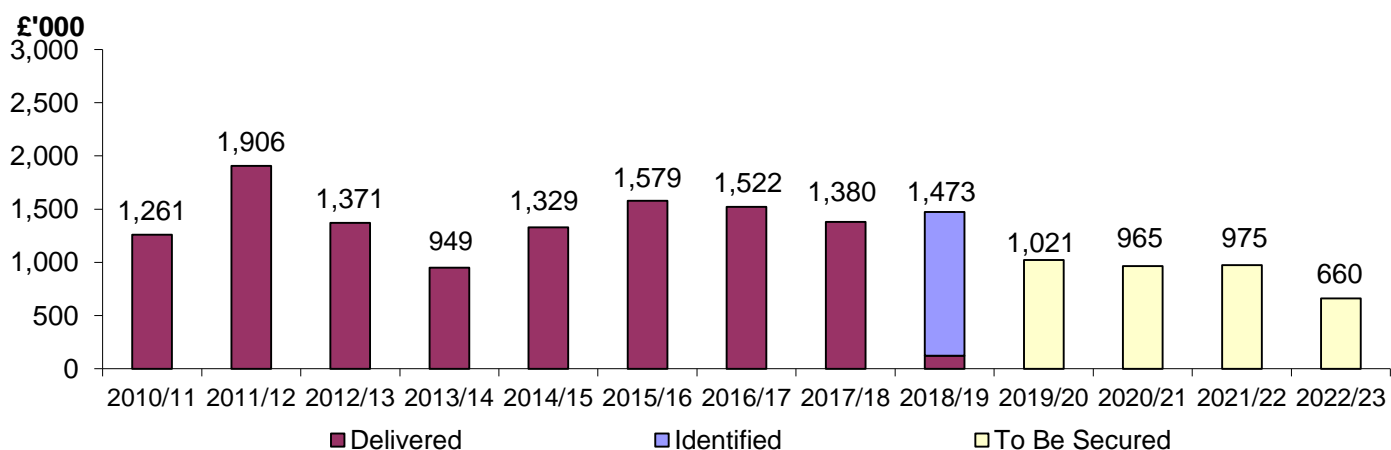
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- ◆ £965,000 in 2020/21,
- ◆ £975,000 in 2021/22 and
- ◆ £660,000 in 2022/23.

3.2 As clearly outlined in previous budget reports considered by the Executive and Full Council, the best estimates of the ongoing efficiency savings targets going forward are at least of a similar scale to those already met, Chart 1 shows:

- Efficiencies of £11.3m have been identified and delivered between 2010/11 – 2017/18;
- Efficiencies of £1.473m have been identified and need to be delivered for 2018/19
- Efficiencies of around £3.6m need to be identified and delivered over the next four years (2019/20 – 2022/23).

**Chart 1
Annual Budget Efficiencies / Savings**

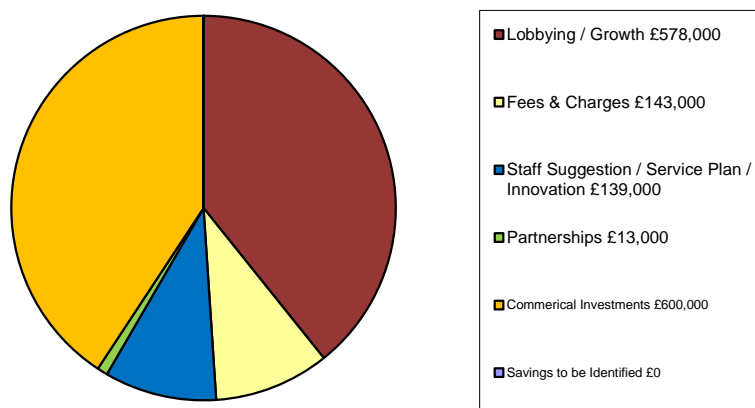


3.2 From when the 2018/19 budget was set, Members will recall that additional ongoing efficiency savings of £1,473,000 were required to set a balanced budget. Those 'efficiency savings' were identified before the budget was formally set and are summarised in Chart 2:

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**Chart 2
Framework Efficiency Savings for the next Year
(2018/19)**



3.3 As explained in previous budget reports although we have traditionally referred to the term ‘savings’, in reality these are a combination of efficiency savings and additional income. Table 2 illustrates how the efficiency targets in 2018/19 are to be delivered:

Table 2 – 2018/19 Budget Changes			
Framework	Additional Income £'000	Reduced Expenditure £'000	Total £'000
Lobbying / Growth	578	0	578
Fees & Charges	143	0	143
Staff Suggestion / Service Plan / Innovation	107	32	139
Partnerships	13	0	13
Commercial Investments	600	0	600
Total	1,441	32	1,473

3.4 Table 3 provides a reminder of the composition of the 2018/19 Framework efficiency savings.

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Framework	Saving	£'000
Commercial Investments	Income from Commercial Investments	600
Lobbying / Growth	New Homes Bonus Income	343
Lobbying / Growth	Increase in Planning Fees	135
Lobbying / Growth	Homelessness Grant	100
Staff / Innovation	Treasury Management Income	100
Staff / Innovation	Other schemes	39
Fees & Charges	Additional Income	77
Fees & Charges	Crematorium Income	66
Partnerships	Joint Working	13
Total		1,473

3.5 During each budget process, members are 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 B.

4. CAPITAL PROGRAMME 2018/19 CURRENT FINANCIAL YEAR

4.1 A summary of the projected Capital Programme outturn monitoring statement as at 30th April is shown in Table 4.

	Current Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Expenditure			
HRA Schemes	6,156	6,156	0
General Fund Schemes	28,694	28,694	0
	34,850	34,850	0
Financing			
Capital Receipts	969	969	0
Prudential Borrowing	30,059	30,059	0
Revenue Contribution	2,674	2,674	0
Grants and Contributions	1,148	1,148	0
	34,850	34,850	0
Net Expenditure	0	0	0

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5. HOUSING REVENUE ACCOUNT 2018/19 – CURRENT FINANCIAL YEAR

- 5.1 A summary of HRA monitoring at 30th April 2018 is shown in Table 5. The HRA is projected to come in on budget.

Table 5 - HRA	Current Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Gross Expenditure	15,359	15,359	0
Gross Income	(15,359)	(15,359)	0
Net Expenditure	0	0	0

6. FLEET EXTENSION

- 6.1 The Executive received a report back in October 2017 regarding extending KBC's existing fleet contract for the proposed shared street scene service with Corby Borough Council (CBC).
- 6.2 The fleet work stream is the one with the most significant risks to CBC as it is imperative that an alternative fleet can be procured and delivered prior to the start of the new arrangements early in 2019. To facilitate the shared service members approved the extension of the existing fleet contract for a further 7 years.
- 6.3 Good progress continues to be made on the shared service. To benefit the shared street scene service arrangement KBC has the option to call off additional vehicles so that the fleet can be used across both boroughs. The Council undertook a value for money review with APSE (Association of Public Service Excellence) in November 2017 which provided an independent external assessment that procuring Corby's fleet requirement by utilising KBC's option to call off additional vehicles provided value for money.
- 6.4 The size of the additional fleet cannot exceed 50% of the current contract value and owing to the lead in times to acquire the fleet orders need to be placed during the summer so the additional fleet requirements can be met when the shared service goes live early in 2019.
- 6.5 As the existing fleet contract has been procured by KBC, this Council as part of the existing contract would be required to procure Corby's fleet and then recharge Corby for their cost of the fleet. The two Councils have an agreed MoU this would be further supplemented with a legal agreement between the two authorities ensuring that CBC meets their share of the costs.

7 CONSULTATION AND CUSTOMER IMPACT

- 7.1 As outlined in the report.

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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;

10.1 Approve;

- a. the Guiding Principles for the Housing Revenue Account as set out in 2.6 and
- b. The procurement of Corby's fleet requirements in accordance with the existing fleet contract.

10.2 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 2019/20 and future years;

Background Papers:

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

Previous Reports/Minutes:

Monthly Durable Budget Reports